

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Baldwin	County Lake
Audit Date 2/28/06	Opinion Date 7/25/06	Date Accountant Report Submitted to State: 8/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASL GU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris St.	City Cadillac	State MI	ZIP 49601
Accountant Signature <i>Jonathan Damhof CPA</i>		Date 8-24-06	

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2006

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-xi
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1-2
Statements of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Proprietary Funds	
Statement of Net Assets	9-10
Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets	12
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Net Assets to the Statement of Activities	13
Statement of Cash Flows	14-15
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	16
Component Units	
Statement of Net Assets	17
Statement of Activities	18
Notes to Financial Statements	19-38
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	39

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Financial Statements of Individual Funds	
Major Governmental Funds	
<u>General Fund</u>	
Comparative Balance Sheet	40
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	41
Comparative Analysis of Revenues	42
Comparative Analysis of Expenditures	43-45
<u>Major Street Fund</u>	
Comparative Balance Sheet	46
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	47-48
<u>Local Street Fund</u>	
Comparative Balance Sheet	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	50-51
<u>Fire Fund</u>	
Comparative Balance Sheet	52
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	53-54
<u>1990 Housing Rehabilitation Fund</u>	
Comparative Balance Sheet	55
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	56
<u>Towne Central Capital Project Fund</u>	
Comparative Balance Sheet	57
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	58
Major Proprietary Funds	
<u>Water Fund</u>	
Comparative Balance Sheet	59-60
Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	61-62
Comparative Statement of Cash Flows	63
<u>Sewer Fund</u>	
Comparative Balance Sheet	64-65
Schedule of Revenues, Expenses and Changes in Net Assets – Budget and Actual	66-67
Comparative Statement of Cash Flows	68

VILLAGE OF BALDWIN, MICHIGAN

FEBRUARY 28, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Internal Service Fund	
<u>Equipment Fund</u>	
Comparative Balance Sheet	69
Changes in Net Assets – Budget and Actual	70
Comparative Statement of Cash Flows	71
Fiduciary Fund	
<u>Imprest Payroll Fund</u>	
Statement of Changes in Assets and Liabilities	72
Component Unit	
<u>Downtown Development Authority</u>	
Combining Balance Sheet	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	74
<u>Operating Fund</u>	
Comparative Balance Sheet	75
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	76
<u>Debt Retirement Fund</u>	
Comparative Balance Sheet	77
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	78
Other Information	
Statement of 2005 Property Tax Roll	79
Statement of 2005 Tax Increment Financing Tax Roll	80
Water Supply System Revenue Bonds Payable	81-85
Sanitary Sewer System Revenue Bonds Payable	87-91
Downtown Development Authority Tax Increment Bonds Payable	92-93
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	94-95

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 25, 2006

INDEPENDENT AUDITORS' REPORT

To the President and Village Council
Village of Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Baldwin, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Baldwin, Michigan's, management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baldwin, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Accounting Standards*, we have also issued our report dated July 25, 2006, on our consideration of the Village of Baldwin, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing and not to provide an

opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through xi and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Baldwin, Michigan's, basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Management's Discussion and Analysis

The management of the Village of Baldwin, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

Government-Wide

- ❖ The assets of the Village exceeded its liabilities at the close of this fiscal year by \$14,142,936 (shown as *Net Assets*), representing an decrease of \$129,465 over the previous fiscal year. Governmental Funds represented a \$124,920 increase, while Business-Type activities accounted for a \$254,385 decrease.

Fund Level Financial Highlights

- ❖ As of February 28, 2006, the governmental funds of the Village of Baldwin reported combined ending fund balances of \$718,511, of which \$641,523 is unreserved.
- ❖ The unreserved fund balance of the Village's General Fund decreased this year to \$39,659.

Long-Term Debt

- ❖ The Village of Baldwin's total long-term debt decreased by \$56,867 during the fiscal year.

Overview of the Financial Statements

The Village of Baldwin's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, recreation and culture, other functions and debt service. Business-type activities of the Village include water and sewer utility services.

Focus on Funds

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Fire Fund, 1990 Housing Rehabilitation Fund and the Towne Central Capital Projects Fund. The major Proprietary Funds include the Water Fund and Sewer Fund. Presentation of major funds can be found on pages 40-68 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Baldwin uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the special revenue, capital project, and permanent funds.

Proprietary Funds Proprietary funds account for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the Village. This fund allows the Village to allocate costs of centralized services such as the Village's vehicles and equipment. The Village has one internal service fund.

Component Units The Village's Comprehensive Annual Financial Report includes reporting on separate legal entities for which the Village has some level of financial responsibility. These funds are shown in a separate column. The Village's only component unit is the Downtown Development Authority.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found on page 39 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$14,142,936 at February 28, 2006, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Village of Baldwin
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 1,213,028	\$ 907,320	\$ 1,018,134	\$ 1,228,839	\$ 2,231,162	\$ 2,136,159
Capital Assets	802,576	728,826	15,015,776	15,234,733	15,818,352	15,963,559
Total Assets	<u>2,015,604</u>	<u>1,636,146</u>	<u>16,033,910</u>	<u>16,463,572</u>	<u>18,049,514</u>	<u>18,099,718</u>
Long-term liabilities	65,200	79,341	3,546,851	3,601,754	3,612,051	3,681,095
Other liabilities	259,328	54,410	35,199	91,867	294,527	146,277
Total Liabilities	<u>324,528</u>	<u>133,751</u>	<u>3,582,050</u>	<u>3,693,621</u>	<u>3,906,578</u>	<u>3,827,372</u>
Net Assets						
Invested in capital assets						
net of related debt	723,235	649,485	11,789,276	11,964,733	12,512,511	12,614,218
Restricted for Debt Service	0	0	330,952	294,894	330,952	294,894
Unrestricted	967,841	852,910	331,632	510,324	1,299,473	1,363,234
Total Net Assets	<u>\$ 1,691,076</u>	<u>\$ 1,502,395</u>	<u>\$ 12,451,860</u>	<u>\$ 12,769,951</u>	<u>\$ 14,142,936</u>	<u>\$ 14,272,346</u>

The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$1,299,473 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village decreased \$129,410 this fiscal year, primarily due to the provision for depreciation in the Water and Sewer Funds.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Village. The condensed information was derived from the Government-Wide Statement of Activities.

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Village of Baldwin
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 2,414	\$ 4,094	\$ 550,822	\$ 542,542	\$ 553,236	\$ 546,636
Operating Grants and Contributions	233,632	284,474	0	0	233,632	284,474
Capital Grants	76,404	102,953	89,600	2,486,886	166,004	2,589,839
General Revenues						
Property Taxes	145,574	151,556	0	0	145,574	151,556
State Shared Revenue	113,603	114,992	0	0	113,603	114,992
Investment Earnings	18,010	5,949	24,497	10,720	42,507	16,669
Gain (Loss) on Sale of Assets	0	8,802	0	0	0	8,802
Other	12,179	1,291	0	0	12,179	1,291
Total Revenues	601,816	674,111	664,919	3,040,148	1,266,735	3,714,259
<u>Expenses</u>						
General Government, Administrative	89,688	112,133	0	0	89,688	112,133
Public Safety	112,940	102,179	0	0	112,940	102,179
Public Works	102,289	142,762	0	0	102,289	142,762
Culture and Recreation	38,900	44,906	0	0	38,900	44,906
Other Functions	128,027	109,511	0	0	128,027	109,511
Interest on Long-Term Debt	5,052	6,053	0	0	5,052	6,053
Water and Sewer	0	0	919,304	813,150	919,304	813,150
Total Expenses	476,896	517,544	919,304	813,150	1,396,200	1,330,694
Change in Net Assets	124,920	156,567	(254,385)	2,226,998	(129,465)	2,383,565
Beginning Net Assets	1,566,156	1,409,589	12,706,245	10,479,247	14,272,401	11,888,836
Ending Net Assets	\$ 1,691,076	\$ 1,566,156	\$ 12,451,860	\$ 12,706,245	\$ 14,142,936	\$ 14,272,401

Governmental Activities

The most significant portion of the revenue for all governmental activities of the Village of Baldwin comes from Operating Grants and Contributions. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Streets as well as private contributions.

VILLAGE OF BALDWIN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2006 was 14.3665 mills. The Village's charter allows the Village to levy up to 15.0 mills for operations. Due to State statutes and the Headlee Rollback provisions, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2006, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses of \$476,896 are dominated by the Other Functions expenses of \$128,027 which are primarily fringe benefits for the employees of the Village. The Village spent \$112,940 on Public Safety and \$102,289 on Public Works which are primarily expenses related to infrastructure and general village maintenance and improvements

Business-Type Activities

The Village's business-type activities accounted for a decrease of \$262,791 in the Village's Net Assets, leaving the Village's net assets from business-type activities for the fiscal year ended February 28, 2006 at \$12,451,860.

The Business-type activities of the Village include the Water Fund and Sewer Fund, which provide water and sewer utility services to Village residents as well as commercial customers.

The Water and Sewer activity represents the business-type activities of the Village. Water activity accounts for \$317,981 of the total business-type activities expenses of \$919,304 and \$263,894 of the total revenues of the business-type activities of \$664,919. Sewer activity accounts for \$601,323 of the total business-type expenses and \$401,025 of the total revenues of the business-type activities.

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Village's fiscal year ended February 28, 2006, its governmental funds reported fund balances of \$718,511. Of this amount, \$422,615 is unreserved in the General Fund. An additional \$218,908 of unreserved and undesignated fund balance exists in the Village's Special Revenue funds and the Capital Projects Fund. The remaining \$76,988 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

General Fund – The General Fund is the main operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$39,747, bringing the balance to \$436,748. Property tax revenues in the General Fund decreased \$26,113 in 2006. State shared revenue

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

decreased by \$1,173 from the amount received in the previous fiscal year, which resulted from State actions in response to the economic slowdown experienced throughout the State.

Major Street Fund – The Major Street Fund completed \$24,198 in street construction and improvements in this fiscal year. The fund balance of the Major Street Fund ended the year at \$48,033. This was a reduction of \$21,035 from the previous year. The Village used funds accumulated from previous years in order to complete this year's projects.

Local Street Fund – The Local Street Fund saw an increase in expenditures of \$31,761 in this fiscal year. State grant funds provided \$35,018 of Act 51 revenue and the Telecommunications Right of Way Maintenance provided an additional \$5,122 of revenue. The fund balance of this fund is at \$21,464.

Fire Fund – The Fire Fund saw an increase in fund balance of revenue of \$18,009 during the fiscal year. The fund balance of this fund is \$163,707.

Proprietary Funds The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$64,317 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$16,651 for the fiscal year. This fund experienced a increase in interest income of \$2,095, and received \$89,600 of from a Rural Development Grant as part of the completion of a water improvement project for the Village. The net assets of this fund decreased by \$56,994 in 2006.

Sewer Fund – The Sewer Fund ended this fiscal year with \$258,909 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$1,879 primarily due to the addition of septage haulers billings which help to offset the decrease in sewer billings of \$13,181 from less treatment of waste during the year. This fund experienced an increase in interest income of \$11,682 from the previous fiscal year. The net assets of this fund decreased by \$205,797 in 2006. This fund remains in sound fiscal condition moving forward.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2006 amounted to \$15,818,352 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets, as detailed below:

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

Village of Baldwin
Capital Assets as of February 28, 2006

	Governmental Activities	Business-Type Activities	Total Primary Government
Land	\$ 144,505	\$ 49,080	\$ 193,585
Buildings	133,564	0	133,564
Land Improvements	125,904	0	125,904
Machinery and Equipment	917,445	69,317	986,762
Infrastructure	163,512	0	163,512
Water and Sewer Systems	0	17,725,640	17,725,640
Subtotal	1,484,930	17,844,037	19,328,967
Accumulated Depreciation	(682,354)	(2,828,261)	(3,510,615)
Net Capital Assets	\$ 802,576	\$ 15,015,776	\$ 15,818,352

Major capital asset events during fiscal year included the following:

- Street construction of \$100,602.
- Machinery and Equipment upgrades of \$26,002.
- Water and Sewer system improvements placed into service of \$752,363.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements section on pages 28 and 29.

VILLAGE OF BALDWIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED FEBRUARY 28, 2006

***Village of Baldwin Outstanding Debt
Contracts and Revenue Bonds
as of February 28, 2006***

	Governmental Activities	Business-Type Activities	Total Primary Government
Contracts and Notes	\$ 79,341	\$ 0	\$ 79,341
Revenue Bonds	0	3,226,500	3,226,500
Total	\$ 79,341	\$ 3,226,500	\$ 3,305,841

The Village issued no new bonded debt in FY2006 and the total debt decreased from \$3,362,708 at February 28, 2005, to \$3,305,841 at February 28, 2006, a decrease of \$56,867. More information on the Village's long-term debt is available in the Notes to Financial Statements section of this document, on pages 31-35.

Contacting the Village's Finance Department

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Baldwin, P.O. Box 339, Baldwin, Michigan 49304, or call us at (231) 745-3587.

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	COMPONENT UNIT
<u>ASSETS</u>				
Cash	\$ 908,714	\$ 917,430	\$ 1,826,144	\$ 79,404
Receivables				
Taxes	33,459	0	33,459	74,772
Accounts	0	36,398	36,398	0
Accrued Interest	292	0	292	0
External Parties (Fiduciary Funds)	6,023	6,917	12,940	0
Internal Balances	5,538	(5,538)	0	0
Due from Other Governments	180,228	23,319	203,547	0
Due from Component Unit	45,728	0	45,728	0
Prepaid Expenses	33,046	11,968	45,014	0
Total Current Assets	1,213,028	990,494	2,203,522	154,176
<u>CAPITAL ASSETS</u>				
Land	144,505	49,080	193,585	0
Buildings	133,564	0	133,564	0
Land Improvements	125,904	0	125,904	1,584,922
Machinery and Equipment	917,445	69,317	986,762	0
Infrastructure	163,512	0	163,512	0
Improvements Other Than Buildings	0	17,725,640	17,725,640	0
	1,484,930	17,844,037	19,328,967	1,584,922
Less Accumulated Depreciation	682,354	2,828,261	3,510,615	100,260
Net Capital Assets	802,576	15,015,776	15,818,352	1,484,662
<u>OTHER ASSETS</u>				
Deferred Charge - Bond Issuance Costs	0	27,640	27,640	0
TOTAL ASSETS	\$ 2,015,604	\$ 16,033,910	\$ 18,049,514	\$ 1,638,838

The accompanying notes are an integral part of the financial statements.

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS	COMPONENT UNIT
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 4,027	\$ 21,261	\$ 25,288	\$ 0
Accrued Expenses	2,794	0	2,794	0
Due to Primary Government	0	0	0	45,728
Internal Balances	50,162	(50,162)	0	0
Accrued Interest	2,216	19,600	21,816	18,679
Deferred Revenue	185,988	0	185,988	0
Current Portion of Long-Term Debt	14,141	44,500	58,641	40,000
Total Current Liabilities	259,328	35,199	294,527	104,407
<u>LONG-TERM LIABILITIES</u>				
Deferred Revenue	0	364,851	364,851	0
Bonds Payable	0	3,182,000	3,182,000	825,000
Notes Payable	65,200	0	65,200	0
Total Long-Term Liabilities	65,200	3,546,851	3,612,051	825,000
TOTAL LIABILITIES	324,528	3,582,050	3,906,578	929,407
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	723,235	11,789,276	12,512,511	619,662
Restricted for Debt Service	0	330,952	330,952	2,530
Unrestricted	967,841	331,632	1,299,473	87,239
TOTAL NET ASSETS	\$ 1,691,076	\$ 12,451,860	\$ 14,142,936	\$ 709,431

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT			COMPONENT UNIT
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
General Government, Administrative	\$ 89,688	\$ 0	\$ 0	\$ 0	\$ (89,688)	\$ 0	\$ (89,688)	\$ 0
Public Safety	112,940	2,414	102,992	0	(7,534)	0	(7,534)	0
Public Works	102,289	0	104,954	76,404	79,069	0	79,069	0
Culture and Recreation	38,900	0	25,686	0	(13,214)	0	(13,214)	0
Other Functions	128,027	0	0	0	(128,027)	0	(128,027)	0
Interest on Long-Term Debt	5,052	0	0	0	(5,052)	0	(5,052)	0
Total Governmental Activities	476,896	2,414	233,632	76,404	(164,446)	0	(164,446)	0
BUSINESS-TYPE ACTIVITIES								
Water and Sewer Systems	919,304	550,822	0	89,600	0	(278,882)	(278,882)	0
TOTAL PRIMARY GOVERNMENT	1,396,200	553,236	233,632	166,004	(164,446)	(278,882)	(443,328)	0
COMPONENT UNIT								
Downtown Development Authority	\$ 98,473	\$ 0	\$ 0	\$ 0	0	0	0	(98,473)
GENERAL REVENUES								
Property Taxes					145,574	0	145,574	151,245
State Shared Revenue					113,603	0	113,603	0
Investment Earnings					18,010	24,497	42,507	1,303
Other					12,179	0	12,179	0
Total General Revenues					289,366	24,497	313,863	152,548
Change in Net Assets					124,920	(254,385)	(129,465)	54,075
NET ASSETS - Beginning of Year					1,566,156	12,706,245	14,272,401	655,356
NET ASSETS - End of Year					\$ 1,691,076	\$ 12,451,860	\$ 14,142,936	\$ 709,431

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

FEBRUARY 28, 2006

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE FUND	1990 HOUSING REHAB	TOWNE CENTRAL CAPITAL PROJECT	TOTALS
<u>ASSETS</u>							
Cash	\$ 350,637	\$227,517	\$ 2,993	\$ 96,237	\$ 48,421	\$ 6,921	\$ 732,726
Receivables							
Taxes	33,459	0	0	0	0	0	33,459
Accrued Interest	292	0	0	0	0	0	292
Due from Other Funds	10,122	753	12,000	4,040	0	0	26,915
Due from Other Governments	29,824	12,712	6,325	96,393	0	34,974	180,228
Due from Component Unit	45,728	0	0	0	0	0	45,728
Prepaid Expenses	14,133	66	146	14,222	0	0	28,567
TOTAL ASSETS	<u>\$ 484,195</u>	<u>\$241,048</u>	<u>\$ 21,464</u>	<u>\$ 210,892</u>	<u>\$ 48,421</u>	<u>\$ 41,895</u>	<u>\$1,047,915</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES</u>							
Accounts Payable	\$ 2,868	\$ 0	\$ 0	\$ 85	\$ 0	\$ 0	\$ 2,953
Accrued Expenses	2,794	0	0	0	0	0	2,794
Due to Other Funds	8,326	7,027	0	0	0	41,757	57,110
Deferred Revenue	33,459	185,988	0	47,100	0	0	266,547
Total Liabilities	<u>47,447</u>	<u>193,015</u>	<u>0</u>	<u>47,185</u>	<u>0</u>	<u>41,757</u>	<u>329,404</u>
<u>FUND BALANCES</u>							
Reserved for:							
Community Development	0	0	0	0	48,421	0	48,421
Prepaid Expenses	14,133	66	146	14,222	0	0	28,567
Unreserved, Undesignated Reported In:							
General Fund	422,615	0	0	0	0	0	422,615
Special Revenue Funds	0	47,967	21,318	149,485	0	0	218,770
Capital Projects Fund	0	0	0	0	0	138	138
Total Fund Balance	<u>436,748</u>	<u>48,033</u>	<u>21,464</u>	<u>163,707</u>	<u>48,421</u>	<u>138</u>	<u>718,511</u>
TOTAL LIABILITIES AND							
FUND BALANCES	<u>\$ 484,195</u>	<u>\$241,048</u>	<u>\$ 21,464</u>	<u>\$ 210,892</u>	<u>\$ 48,421</u>	<u>\$ 41,895</u>	<u>\$1,047,915</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

Total Fund Balances for Governmental Funds	\$	718,511
--	----	---------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	144,505	
Buildings		133,564	
Land Improvements		125,904	
Machinery and Equipment		606,488	
Infrastructure		163,512	
Accumulated Depreciation		<u>(483,501)</u>	690,472

Internal service funds are used by management to charge costs of certain activities, such as insurance and data processing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		283,091
---	--	---------

Balance of receivables at February 28, 2006, expected to be collected after May 1, 2006		
Personal Property Taxes Receivable	33,459	
Fire Contracts Receivable	<u>47,100</u>	80,559

Accrued interest is not included as a liability in governmental funds, it is recorded when paid		(2,216)
--	--	---------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes Payable		<u>(79,341)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,691,076</u></u>
---------------------------------------	----	-------------------------

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2006

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE	1990 HOUSING REHAB	TOWNE CENTRAL CAPITAL PROJECT	TOTALS
<u>REVENUES</u>							
Taxes	\$ 134,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 134,299
Licenses and Permits	1,594	0	0	0	0	0	1,594
State Grants	108,481	69,936	40,140	0	0	0	218,557
Federal Grants	0	0	0	0	0	76,404	76,404
Charges for Services	820	0	0	96,164	0	0	96,984
Interest and Rents	12,285	1,594	202	2,798	1,131	135	18,145
Other Revenue	36,383	0	0	760	1,347	0	38,490
Total Revenues	293,862	71,530	40,342	99,722	2,478	76,539	584,473
<u>EXPENDITURES</u>							
Legislative	2,595	0	0	0	0	0	2,595
General Government	87,143	0	0	0	1,200	0	88,343
Public Safety	8,714	0	0	62,978	0	0	71,692
Public Works	69,753	76,573	68,352	0	0	76,404	291,082
Culture and Recreation	37,377	0	0	0	0	0	37,377
Other Functions	128,027	0	0	0	0	0	128,027
Debt Service	0	0	0	18,735	0	0	18,735
Total Expenditures	333,609	76,573	68,352	81,713	1,200	76,404	637,851

The accompanying notes are an integral part of the financial statements.

	GENERAL	MAJOR STREET	LOCAL STREET	FIRE	1990 HOUSING REHAB	TOWNE CENTRAL CAPITAL PROJECT	TOTALS
Excess (Deficiency) of Revenues Over Expenditures	(39,747)	(5,043)	(28,010)	18,009	1,278	135	(53,378)
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	0	15,992	0	0	0	15,992
Transfers Out	0	(15,992)	0	0	0	0	(15,992)
Total Other Financing Sources (Uses)	0	(15,992)	15,992	0	0	0	0
Net Change in Fund Balance	(39,747)	(21,035)	(12,018)	18,009	1,278	135	(53,378)
<u>FUND BALANCES</u> - Beginning of Year	476,495	69,068	33,482	145,698	47,143	3	771,889
<u>FUND BALANCES</u> - End of Year	\$ 436,748	\$ 48,033	\$ 21,464	\$ 163,707	\$ 48,421	\$ 138	\$ 718,511

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net change in Fund Balance - Total Governmental Funds	\$ (53,378)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation in the statement of activities.	
Depreciation Expense	(50,373)
Capital Outlay	100,602
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	13,311
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in personal property tax revenue deferred using the modified accrual method.	11,275
Change in fire contract revenue deferred using the modified accrual method.	6,068
Accrued interest payable is recorded in the statement of activities when incurred; it is not recorded in the governmental funds until it is paid	
Accrued Interest Payable - Beginning of Year	2,588
Accrued Interest Payable - End of Year	(2,216)
Internal service funds are used by management to charge costs of the motor pool, to individual funds. The net revenue (expense) of the internal service fund is reported within the governmental activities.	<u>97,043</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 124,920</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	<u>MAJOR FUNDS</u>			SERVICE
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 224,390	\$ 693,040	\$ 917,430	\$ 175,988
Receivables				
Accounts	11,771	24,627	36,398	0
Due from Other Governments	23,319	0	23,319	0
Due from Other Funds	2,577	46,097	48,674	0
Prepaid Expenses	2,988	8,980	11,968	4,479
Total Current Assets	265,045	772,744	1,037,789	180,467
<u>NONCURRENT ASSETS</u>				
<u>CAPITAL ASSETS</u>				
Land	13,813	35,267	49,080	0
Water and Sewer Systems	6,627,431	11,098,209	17,725,640	0
Machinery and Equipment	36,215	33,102	69,317	310,957
	6,677,459	11,166,578	17,844,037	310,957
Less Accumulated Depreciation	1,200,632	1,627,629	2,828,261	198,853
Net Capital Assets	5,476,827	9,538,949	15,015,776	112,104
<u>OTHER ASSETS</u>				
Deferred Charge - Bond Issuance Costs	0	27,640	27,640	0
TOTAL ASSETS	\$ 5,741,872	\$ 10,339,333	\$ 16,081,205	\$ 292,571

The accompanying notes are an integral part of the financial statements.

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			INTERNAL
	MAJOR FUNDS			SERVICE
	WATER	SEWER	TOTAL	FUND
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 19,674	\$ 1,587	\$ 21,261	\$ 1,074
Due to Other Funds	1,696	3,843	5,539	0
Accrued Interest Payable	19,600	0	19,600	0
Current Portion of Long-Term Debt	21,000	23,500	44,500	0
Total Current Liabilities	61,970	28,930	90,900	1,074
<u>LONG-TERM LIABILITIES</u>				
Deferred Revenue	0	364,851	364,851	0
Revenue Bonds Payable (Net of Current Portion)	1,478,000	1,704,000	3,182,000	0
Total Long-Term Liabilities	1,478,000	2,068,851	3,546,851	0
TOTAL LIABILITIES	1,539,970	2,097,781	3,637,751	1,074
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	3,977,827	7,811,449	11,789,276	112,104
Restricted for Debt Service	159,758	171,194	330,952	0
Unrestricted	64,317	258,909	323,226	179,393
TOTAL NET ASSETS	\$ 4,201,902	\$ 8,241,552	\$ 12,443,454	\$ 291,497

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF NET ASSETS OF PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

Total Net Assets - Total Proprietary Funds	\$ 12,443,454
--	---------------

Amounts reported for proprietary activities in the statement of
net assets are different because:

Internal service funds are used by management to charge costs of
certain activities, such as equipment rental, to
individual funds. The assets and liabilities of the internal service
funds are allocated to governmental and business activities.
This creates an internal balance referred to as the crossover amount
which needs to be adjusted for.

8,406

NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ 12,451,860</u></u>
---------------------------------	-----------------------------

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED FEBRUARY 28, 2006

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>OPERATING REVENUES</u>				
Operating Revenues	\$ 168,608	\$ 378,764	\$ 547,372	\$ 89,374
<u>OPERATING EXPENSES</u>				
Wages and Fringe Benefits	52,378	107,315	159,693	0
Office Supplies	52	770	822	0
Postage	757	666	1,423	0
Professional Services	2,400	1,817	4,217	1,000
Contracted Services-Operations Assistant	0	10,433	10,433	0
Lab Fee - Samples	5,633	0	5,633	0
Operating Supplies	10,119	39,177	49,296	1,372
Gasoline and Oil	0	0	0	13,342
Insurance	4,900	12,257	17,157	4,499
Utilities	18,554	74,240	92,794	3,186
Repairs and Maintenance	7,305	24,578	31,883	17,913
Equipment Rental	10,327	11,927	22,254	0
Alarm System Rent	1,580	0	1,580	0
Education and Training	521	2,112	2,633	0
Depreciation	134,605	239,139	373,744	17,081
Dues and Fees	4,005	0	4,005	0
Miscellaneous	1,456	0	1,456	0
Total Operating Expenses	254,592	524,431	779,023	58,393
Operating Income (Loss)	(85,984)	(145,667)	(231,651)	30,981
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	4,936	19,561	24,497	2,768
Interest Expense	(66,296)	(81,506)	(147,802)	0
Amortization	0	(885)	(885)	0
Grants	89,600	0	89,600	71,700
Connection Fees	750	2,700	3,450	0
Total Nonoperating Revenues (Expenses)	28,990	(60,130)	(31,140)	74,468
Change in Net Assets	(56,994)	(205,797)	(262,791)	105,449
<u>TOTAL NET ASSETS</u> - Beginning of Year	4,258,896	8,447,349	12,706,245	186,048
<u>TOTAL NET ASSETS</u> -End of Year	\$ 4,201,902	\$ 8,241,552	\$ 12,443,454	\$ 291,497

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
PROPRIETARY FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

Net Change in Fund Net Assets - Total Proprietary Funds	\$ (262,791)
---	--------------

Amounts reported for proprietary activities in the statement of activities are different because:

Internal service funds are used by management to charge costs of the motor pool to individual funds. The net revenue (expense) of internal service fund is reported with governmental and business-type activities.

This creates an internal balance referred to as the crossover amount which needs to be adjusted for.

<u>8,406</u>

CHANGE IN NET ASSETS OF PROPRIETARY FUNDS	<u><u>\$ (254,385)</u></u>
---	----------------------------

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2006

	<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			<u>INTERNAL</u>
	<u>MAJOR FUNDS</u>			<u>SERVICE</u>
	<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>				
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 165,749	\$ 370,727	\$ 536,476	\$ 0
Cash Received from Interfund Services Provided	0	0	0	63,076
Cash Payments to Suppliers for Goods and Services	(162,821)	(338,878)	(501,699)	(41,128)
Net Cash Provided by (Used for) Operating Activities	2,928	31,849	34,777	21,948
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(148,680)	(32,995)	(181,675)	0
Grant Proceeds	212,000	0	212,000	71,700
User Contributions	750	2,700	3,450	0
Principal Paid on Bonds	(20,000)	(23,500)	(43,500)	0
Interest Paid on Bonds	(66,396)	(81,506)	(147,902)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,326)	(135,301)	(157,627)	71,700
Cash Flows from Investing Activities				
Interest Income	4,936	19,561	24,497	2,768
Net Increase (Decrease) in Cash and Cash Equivalents	(14,462)	(83,891)	(98,353)	96,416
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	238,852	776,931	1,015,783	79,572
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 224,390	\$ 693,040	\$ 917,430	\$ 175,988

The accompanying notes are an integral part of the financial statements.

<u>BUSINESS TYPE ACTIVITIES - ENTERPRISE</u>			INTERNAL
<u>MAJOR FUNDS</u>			SERVICE
<u>WATER</u>	<u>SEWER</u>	<u>TOTAL</u>	<u>FUND</u>

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating Income (Loss)	\$	(85,984)	\$	(145,667)	\$	(231,651)	\$	30,981
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:								
Depreciation and Amortization		134,605		239,139		373,744		17,081
(Increase) Decrease in Current Assets								
Accounts Receivable		(3,299)		2,366		(933)		0
Prepaid Expenses		284		202		486		20
Due from Other Funds		3,297		(41,247)		(37,950)		0
Increase (Decrease) in Current Liabilities								
Accounts Payable		(29,474)		(910)		(30,384)		164
Due to Other Funds		(2,787)		(11,631)		(14,418)		(26,298)
Deferred Revenue		0		(10,403)		(10,403)		0
Total Adjustments		102,626		177,516		280,142		(9,033)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	16,642	\$	31,849	\$	48,491	\$	21,948

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
FIDUCIARY FUND

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FEBRUARY 28, 2006

ASSETS

Cash	\$ 9,437
Payroll Withholdings Overpaid	<u>4,327</u>
Total Assets	<u><u>13,764</u></u>

LIABILITIES

Accrued Payroll Taxes	824
Due to Other Funds	<u>12,940</u>
Total Liabilities	\$ <u><u>13,764</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BALDWIN, MICHIGAN
COMPONENT UNIT

STATEMENT OF NET ASSETS
FEBRUARY 28, 2006

	<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>
<u>ASSETS</u>	
Cash	\$ 79,404
Receivables	
Taxes	<u>74,772</u>
Total Current Assets	<u>154,176</u>
<u>CAPITAL ASSETS</u>	
Land Improvements	1,584,922
Less Accumulated Depreciation	<u>(100,260)</u>
Net Capital Assets	<u>1,484,662</u>
TOTAL ASSETS	<u>\$ 1,638,838</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Due to Primary Government	\$ 45,728
Accrued Interest	18,679
Current Portion of Long-Term Debt	<u>40,000</u>
Total Current Liabilities	<u>104,407</u>
<u>LONG-TERM LIABILITIES</u>	
General Obligation Bonds	865,000
Less: Current Portion	<u>(40,000)</u>
Total Long-Term Liabilities	<u>825,000</u>
TOTAL LIABILITIES	<u>929,407</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	619,662
Restricted for Debt Service	2,530
Unrestricted	<u>87,239</u>
TOTAL NET ASSETS	<u><u>\$ 709,431</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN
COMPONENT UNIT

STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2006

PROGRAM REVENUES

	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	TOTALS
Downtown Development Authority	\$ 98,473	\$ 0	\$ 0	(98,473)

GENERAL REVENUES

Property Taxes	151,245
Unrestricted Investment Earnings	<u>1,303</u>
Total General Revenues	<u>152,548</u>
Change in Net Assets	54,075
NET ASSETS - Beginning of Year	<u>655,356</u>
NET ASSETS - End of Year	<u>\$ 709,431</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Baldwin, Michigan, is a general law village incorporated under the General Village Act of 1895. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government.

BLENDED COMPONENT UNITS

The Village has no blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

Downtown Development Authority (DDA) – The DDA was established pursuant to the provisions of Act No. 197 of the Public Acts of Michigan 1975. The members of the governing board of the Downtown Development Authority are appointed by the Village Council. The Authority's operational and capital budgets must be approved by the Village Council.

Financial statements of the individual component units are included as supplemental information in the annual financial report of the Village of Baldwin, Michigan. The component unit does not issue separate financial report.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The Village of Baldwin reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares.

The *Local Street Fund* receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The *Fire Fund* accounts for activities related to the Village fire department activities.

The *1990 Housing Rehabilitation Fund* receives payments from previous MSHDA loan activities.

The *Towne Central Capital Project Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Village in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the Village under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The Village of Baldwin reports the following major proprietary funds:

The *Water Fund and Sewer Fund* record financial activity of the water system which provides water to customers and the operations of the Village's sanitary sewer system.

Additionally the Village of Baldwin reports the following fund types:

Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds and of the Village's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after September 15. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of the Village of Baldwin totaled \$14,455,986, on which ad valorem taxes levied consisted of 14.3665 mills for the Village of Baldwin operating purposes. The Downtown Development Authority captures and retains \$5,322,976 of this taxable value from the Village. The Downtown Development Authority also captures taxes from Webber Township, Pleasant Plains Township and Lake County.

3. *Inventories and Prepaid Items*

The Village does not maintain any material inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted Assets*

Certain resources of the Water and Sewer Funds which are set aside for repayment of revenue bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "bond redemption" and the "bond reserve" account is used to report resources set aside to make current debt service payments and to make up potential future deficiencies in the funds available for debt service. The "bond replacement" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Infrastructure	50
Land Improvements	20-50
Machinery and Equipment	5-10
Vehicles	5-10

The Village qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Village began to capitalize and depreciate infrastructure beginning March 1, 2004, in accordance with the Village's capitalization policy.

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Accumulated amounts are immaterial and do not exceed normal annual amounts.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

1. Prior to March 1, the Village treasurer submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The Village Council holds a public hearing and adopts a resolution approving the budgets.
3. All transfers of budget amounts between functions within the General Fund and any revisions that alter the total expenditures of any fund must be approved by the Village Council. General Fund expenditures may not legally exceed budgeted appropriations at the major function level. Expenditures in all other governmental funds may not exceed appropriations at the total fund level.
4. Formal budgetary integration is employed as a management control device during the year for all governmental fund types.
5. Budgets for the General, Special Revenue, and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end. Budgeted amounts are as originally adopted, or as amended by the Village Council from time to time throughout the year. The Village did not amend the budget during the current fiscal year.
6. Encumbrance accounting is not employed in governmental funds.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

B. Major funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Public Safety	\$ 5,550	\$ 8,714
Other Functions	4,000	128,027
Major Street Fund	50,350	76,573
Local Street Fund	63,900	68,352

No budget was adopted for the 1990 Housing Rehabilitation Fund or the Towne Central Capital Project Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Investment rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirement.

Foreign currency risk. The Village is not authorized to invest in investments, which have this type of risk.

Credit risk. The Village will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the Village's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Village will do business in accordance with Section 7 of the Village's investment policy.

Concentration of credit risk. The Village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of February 28, 2006, \$1,234,389 of the government's bank balance of \$1,948,277 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of the same date the discretely presented component unit's had no exposure to custodial credit risk because all of the bank balance of \$79,404 was insured.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investments are categorized to give an indication of the level of risk assumed by the Village at year end. Category 1 includes investments that are insured or registered, or securities held by the Village or the Village's agent in the Village's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Village's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Village's name. At year end, the Village held no investments.

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT	COMPONENT UNIT
Carrying amount of Deposits	\$ 1,835,581	\$ 79,404
Government-wide Statement of Net Assets		
Cash	\$ 1,826,144	\$ 79,404
Statement of Fiduciary Net Assets		
Cash	9,437	0
Total	\$ 1,835,581	\$ 79,404

B. Receivables

Receivables as of year end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Major Streets	Local Streets	Fire	Towns Central	Water	Sewer	Total
Receivables								
Taxes	\$ 33,459	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,459
Accounts	0	0	0	0	0	11,771	24,627	36,398
Accrued Interest	292	0	0	0	0	0	0	292
Other Governments	29,824	12,712	6,325	96,393	34,974	23,319	0	203,547
Receivables	\$ 63,575	\$ 12,712	\$ 6,325	\$ 96,393	\$ 34,974	\$ 35,090	\$ 24,627	\$ 273,696

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 144,505	\$ 0	\$ 0	\$ 144,505
Capital assets, being depreciated				
Buildings	133,564	0	0	133,564
Land Improvements	125,904	0	0	125,904
Machinery and Equipment	606,488	0	0	606,488
Infrastructure	62,910	100,602	0	163,512
Total capital assets, being depreciated	928,866	100,602	0	1,029,468
Less accumulated depreciation for				
Buildings	(46,519)	(2,765)	0	(49,284)
Land Improvements	(56,262)	(3,475)	0	(59,737)
Machinery and Equipment	(329,477)	(42,875)	0	(372,352)
Infrastructure	(870)	(1,258)	0	(2,128)
Total accumulated depreciation	(433,128)	(50,373)	0	(483,501)
Total capital assets, being depreciated, net	495,738	50,229	0	545,967
Governmental activities capital assets, net	\$ 640,243	\$ 50,229	\$ 0	690,472
Internal Service Fund net capital assets				112,104
Net Capital Assets per Statement of Net Assets			\$	802,576

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 49,080	\$ 0	\$ 0	\$ 49,080
Construction in Progress	582,975	0	(582,975)	0
Total capital assets, not being depreciated	632,055	0	(582,975)	49,080
Capital assets, being depreciated				
Improvements Other Than Buildings	16,973,277	752,363	0	17,725,640
Machinery and Equipment	43,315	26,002	0	69,317
Total capital assets, being depreciated	17,016,592	778,365	0	17,794,957
Less accumulated depreciation for				
Improvements Other Than Buildings	(2,422,554)	(364,382)	0	(2,786,936)
Machinery and Equipment	(31,963)	(9,362)	0	(41,325)
Total accumulated depreciation	(2,454,517)	(373,744)	0	(2,828,261)
Total capital assets, being depreciated, net	14,562,075	404,621	0	14,966,696
Business-type activities capital assets, net	\$ 15,194,130	\$ 404,621	\$ (582,975)	\$ 15,015,776
Governmental activities:				
General Government				\$ 2,932
Public Safety				41,248
Public Works				4,670
Culture and Recreation				1,523
Total depreciation expense - governmental activities				\$ 50,373
Business-type activities:				
Water				\$ 134,605
Sewer				239,139
Water and Sewer				\$ 373,744

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, being depreciated				
Land Improvements	\$ 1,579,922	\$ 5,000	\$ 0	\$ 1,584,922
Less accumulated depreciation	(68,505)	(31,755)	0	(100,260)
Governmental activities capital assets, net	\$ 1,511,417	\$ (26,755)	\$ 0	\$ 1,484,662
Depreciation Expense				
Public Works				\$ 31,755

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2006, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 10,122	\$ 8,326
Special Revenue Funds		
Major Street Fund	753	7,027
Local Street Fund	12,000	0
Fire Fund	4,040	0
Capital Project Fund		
Towne Central Capital Project Fund	0	41,757
Enterprise Funds		
Water Fund	2,577	1,696
Sewer Fund	46,097	3,843
Fiduciary Fund		
Imprest Payroll Fund	0	12,940
	\$ 75,589	\$ 75,589

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances outstanding at February 28, 2006, are expected to be repaid within one year.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Interfund Transfers as of February 28, 2006, were:

	TRANSFERS	
	IN	OUT
Primary Government		
Major Street Fund	\$ 0	\$ 15,992
Local Street Fund	15,992	0
	<u>15,992</u>	<u>0</u>
	\$ 15,992	\$ 15,992

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-Term Debt

1. Primary Government

The following is a summary of debt transactions of the Village of Baldwin for the year ended February 28, 2006:

Governmental and Business Type Activities:

	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
Debt Payable at March 1, 2005	\$ 3,270,000	\$ 92,708	\$ 3,362,708
New Debt Incurred	0	0	0
Debt Retired	(43,500)	(13,367)	(56,867)
	<u>3,226,500</u>	<u>79,341</u>	<u>3,305,841</u>
Debt Payable at February 28, 2006	\$ 3,226,500	\$ 79,341	\$ 3,305,841
Due within one year	\$ 44,500	\$ 14,141	\$ 58,641

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Debt payable at February 28, 2006 is comprised of the following individual issues:

Revenue Bonds:

\$455,000 Water Supply System Revenue Bonds due in annual installments of \$14,000 to \$27,000 plus semi-annual interest payments at 5% through 1/19/2019.	\$ 252,000
\$1,254,000 Water Supply System Revenue Bonds due in annual installments of \$7,000 to \$73,000 plus semi-annual interest payments at 4.25% through 5/1/2043.	1,247,000
\$855,000 Sanitary Sanitary Sewer System Revenue Bonds due in annual installments of \$11,500 to \$48,000 plus semi-annual interest payments at 5% through 3/1/2036.	772,500
\$1,016,000 Sewer System Revenue Bonds due in annual installments of \$12,000 to \$54,000 plus semi-annual interest payments at 4.375% through 3/1/2039.	955,000

Installment Purchase Agreements:

Equipment Contract of \$139,274 to purchase a Fire Truck due in annual installments of \$18,735 including interest at 5.79% through 11/5/2010.	79,341
	<u>\$ 3,305,841</u>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

The annual requirements to amortize these debts outstanding as of February 28, 2006, including interest payments of \$3,105,098 are as follows:

YEAR ENDING FEBRUARY 28,	REVENUE BONDS	INSTALLMENT PURCHASE AGREEMENT	TOTAL
2007			
PRINCIPAL	\$ 44,500	\$ 14,141	\$ 58,641
INTEREST	145,855	4,594	150,449
TOTAL	190,355	18,735	209,090
2008			
PRINCIPAL	46,500	14,960	61,460
INTEREST	143,757	3,775	147,532
TOTAL	190,257	18,735	208,992
2009			
PRINCIPAL	49,500	15,826	65,326
INTEREST	141,566	2,909	144,475
TOTAL	191,066	18,735	209,801
2010			
PRINCIPAL	51,000	16,742	67,742
INTEREST	139,211	1,993	141,204
TOTAL	190,211	18,735	208,946
2011			
PRINCIPAL	54,000	17,672	71,672
INTEREST	136,807	1,023	137,830
TOTAL	190,807	18,695	209,502
2012-2016			
PRINCIPAL	310,500	0	310,500
INTEREST	618,398	0	618,398
TOTAL	928,898	0	928,898
2017-2021			
PRINCIPAL	369,000	0	369,000
INTEREST	563,962	0	563,962
TOTAL	932,962	0	932,962
2022-2026			
PRINCIPAL	422,500	0	422,500
INTEREST	476,608	0	476,608
TOTAL	899,108	0	899,108

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

2027-2031			
PRINCIPAL	535,500	0	535,500
INTEREST	371,126	0	371,126
TOTAL	906,626	0	906,626
2032-2036			
PRINCIPAL	677,500	0	677,500
INTEREST	237,346	0	237,346
TOTAL	914,846	0	914,846
2037-2041			
PRINCIPAL	454,000	0	454,000
INTEREST	97,936	0	97,936
TOTAL	551,936	0	551,936
2041-2043			
PRINCIPAL	212,000	0	212,000
INTEREST	18,232	0	18,232
TOTAL	230,232	0	230,232
GRAND TOTAL			
PRINCIPAL	3,226,500	79,341	3,305,841
INTEREST	3,090,804	14,294	3,105,098
TOTAL	\$ 6,317,304	\$ 93,635	\$ 6,410,939

Component Unit

The following is a summary of the long-term debt transactions of the Downtown Development Authority for the year ended February 28, 2006:

	<u>TOTALS</u>
Long-Term Debt Payable at March 1, 2005	\$ 905,000
Debt Retired	<u>(40,000)</u>
Long-Term Debt Payable at February 28, 2006	\$ <u>865,000</u>
Due within one year	\$ <u>40,000</u>

Long-term debt payable at February 28, 2006, is comprised of the following individual issue:

Tax Increment Bond

\$995,000 Downtown Development Authority Tax Increment Bonds due in annual installments of \$40,000 to \$85,000 plus semi-annual interest payments at 5.00% - 5.50% through October 1, 2019.

\$ 865,000

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006

The annual payments to amortize all debt outstanding as of February 28, 2006, including interest payments of \$380,022 are as follows:

<u>YEAR</u> <u>ENDING FEBRUARY 28,</u>	<u>REVENUE</u> <u>BOND</u>
2007	
PRINCIPAL	\$ 40,000
INTEREST	45,454
TOTAL	<u>85,454</u>
2008	
PRINCIPAL	40,000
INTEREST	43,254
TOTAL	<u>83,254</u>
2009	
PRINCIPAL	50,000
INTEREST	41,054
TOTAL	<u>91,054</u>
2010	
PRINCIPAL	50,000
INTEREST	38,304
TOTAL	<u>88,304</u>
2011	
PRINCIPAL	50,000
INTEREST	35,554
TOTAL	<u>85,554</u>
2012-2016	
PRINCIPAL	320,000
INTEREST	133,450
TOTAL	<u>453,450</u>
2017-2021	
PRINCIPAL	315,000
INTEREST	42,952
TOTAL	<u>357,952</u>
GRAND TOTAL	
PRINCIPAL	865,000
INTEREST	380,022
TOTAL	\$ <u><u>1,245,022</u></u>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

G. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Village has reserved fund balances/retained earnings in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved	
General Fund	
Prepaid Expenses	\$ 14,133
Major Street Fund	
Prepaid Expenses	66
Local Street Fund	
Prepaid Expenses	146
Fire Fund	
Prepaid Expenses	14,222
1990 Housing Rehabilitation Fund	
Community Development	<u>48,421</u>
 TOTAL FUND BALANCE RESERVES	 \$ <u><u>76,988</u></u>

H. Component Unit Disclosures

The following presents the condensed financial statements for the discretely presented component unit.

Condensed Financial Statements - Discretely Presented Component Unit

Downtown Development Authority

Balance Sheet

February 28, 2006

Assets	
Current Assets	\$ <u><u>154,176</u></u>
Liabilities	
Current Liabilities	\$ <u><u>106,529</u></u>
Fund Balance	
Reserved for Debt Service	2,530
Unreserved	<u>45,117</u>
Total Fund Balances	<u>47,647</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>154,176</u></u>

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

Condensed Financial Statements - Discretely Presented Component Unit
Downtown Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year Ended, February 28, 2006

Revenues	\$ 154,520
Expenditures	
General Government	17,199
Capital Outlay	5,000
Debt Retirement	90,423
Total Expenditures	112,622
Net Change in Fund Balance	41,898
FUND BALANCE - Beginning of Year	5,749
FUND BALANCE - End of Year	\$ 47,647

I. Amortization of Bond Issuance Costs

The Village incurred bond issuance costs in connection with Sewer revenue bonds of \$35,055. These costs have been capitalized and are amortized using the “interest” method, as prescribed in Accounting Principles Board Opinion Number 21, over the repayment period of the bonds. The unamortized balance at February 28, 2006 is \$27,640.

IV. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters.

The Village participates in two distinct pools of municipalities within the State of Michigan for self-insuring property and casualty and worker’s disability compensation. The pools are considered public entity risk pools. The Village pays annual premiums to each pool for the respective insurance coverage. In the event a pool’s total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool’s policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The Village has not been informed to any special assessments being required for the current year or the three prior years.

VILLAGE OF BALDWIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

The Village continued to carry commercial insurance for other risks of loss, including employee health and accident insurance.

B. Retirement Benefits

The Village participates in a defined contribution plan administered by Nationwide Life Insurance Company. The employees can contribute up to 15 percent of their salaries and wages. The employer is required to match the contribution equal to the employee's salary reduction contribution up to a limit of 3 percent of the employee's compensation for the year.

For the fiscal year ended February 28, 2006, actual contributions by the Village were \$6,670.

At February 28, 2006, the Village had 8 participants in the defined contribution plan.

The Village also contributed an additional \$8,846 to the individual retirement accounts or simple accounts of 7 employees.

For the 2005-2006 year, covered compensation was \$224,639 and the total of all wages including noncovered wages was \$247,636.

C. Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

D. Single Audit Report

Current federal guidelines require entities with federal expenditures exceeding \$500,000 to have a "single audit" of federally funded programs. At February 28, 2006, the Village's expenditures for federally funded programs was less than \$500,000 and therefore, the Village is not required to have a "Single Audit for the fiscal year ended February 28, 2006.

VILLAGE OF BALDWIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 28, 2006

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND				FIRE FUND				1990 HOUSING REHABILITATION FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>Revenues</u>																				
Taxes	\$ 235,850	\$ 235,850	\$ 134,299	\$ (101,551)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Licenses and Permits	4,950	4,950	1,594	(3,356)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Grants	100,000	100,000	108,481	8,481	63,000	63,000	69,936	6,936	43,000	43,000	40,140	(2,860)	0	0	0	0	0	0	0	0
Charges for Services	600	600	820	220	0	0	0	0	0	0	0	0	101,000	101,000	96,164	(4,836)	0	0	0	0
Interest and Rents	3,000	3,000	12,285	9,285	150	150	1,594	1,444	100	100	202	102	250	250	2,798	2,548	0	0	1,131	1,131
Other Revenue	46,250	46,250	36,383	(9,867)	0	0	0	0	1,000	1,000	0	(1,000)	1,500	1,500	760	(740)	0	0	1,347	1,347
Total Revenues	390,650	390,650	293,862	(96,788)	63,150	63,150	71,530	8,380	44,100	44,100	40,342	(3,758)	102,750	102,750	99,722	(3,028)	0	0	2,478	2,478
<u>Expenditures</u>																				
Legislative	69,700	69,700	2,595	67,105	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Government	168,450	168,450	87,143	81,307	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,200	(1,200)
Public Safety	5,550	5,550	8,714	(3,164)	0	0	0	0	0	0	0	0	102,750	102,750	81,713	21,037	0	0	0	0
Public Works	94,500	94,500	69,753	24,747	50,350	50,350	76,573	(26,223)	63,900	63,900	68,352	(4,452)	0	0	0	0	0	0	0	0
Culture and Recreation	48,450	48,450	37,377	11,073	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Functions	4,000	4,000	128,027	(124,027)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	390,650	390,650	333,609	57,041	50,350	50,350	76,573	(26,223)	63,900	63,900	68,352	(4,452)	102,750	102,750	81,713	21,037	0	0	1,200	(1,200)
Excess (Deficiency) of Revenues Over Expenditures	0	0	(39,747)	(39,747)	12,800	12,800	(5,043)	(17,843)	(19,800)	(19,800)	(28,010)	(8,210)	0	0	18,009	18,009	0	0	1,278	1,278
<u>Other Financing Sources (Uses)</u>																				
Transfers In	0	0	0	0	5,000	5,000	0	(5,000)	17,800	17,800	15,992	(1,808)	0	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	(17,800)	(17,800)	(15,992)	1,808	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	(12,800)	(12,800)	(15,992)	(3,192)	17,800	17,800	15,992	(1,808)	0	0	0	0	0	0	0	0
Net Change in Fund Balance	0	0	(39,747)	(39,747)	0	0	(21,035)	(21,035)	(2,000)	(2,000)	(12,018)	(10,018)	0	0	18,009	18,009	0	0	1,278	1,278
FUND BALANCE - Beginning of Year	476,495	476,495	476,495	(54,809)	69,068	69,068	69,068	(9,239)	33,482	33,482	33,482	17,887	145,698	145,698	145,698	37,556	0	0	47,143	47,143
FUND BALANCE - End of Year	\$ 476,495	\$ 476,495	\$ 436,748	\$ (94,556)	\$ 69,068	\$ 69,068	\$ 48,033	\$ (30,274)	\$ 31,482	\$ 31,482	\$ 21,464	\$ 7,869	\$ 145,698	\$ 145,698	\$ 163,707	\$ 55,565	\$ 0	\$ 0	\$ 48,421	\$ 48,421

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 350,637	\$ 349,897
Receivable		
Taxes	33,459	22,184
Accrued Interest	292	197
Due from Other Governments	29,824	19,808
Due from Other Funds		
Local Street Fund	0	978
Major Street Fund	331	735
Equipment Fund	0	5,125
Fire Fund	0	12,146
Towne Central Fund	0	1,000
Water Fund	1,696	4,483
Sewer Fund	3,843	15,474
Payroll Fund	4,252	4,058
Due from Component Unit		
Downtown Development Authority	45,728	62,750
Prepaid Expenses	14,133	14,221
TOTAL ASSETS	\$ 484,195	\$ 513,056

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,868	\$ 11,622
Due to Other Funds		
Local Street Fund	4,393	0
Fire Fund	3,933	0
Accrued Wages	2,794	2,755
Deferred Revenue	33,459	22,184
Total Liabilities	47,447	36,561

FUND BALANCE

Reserved for:		
Prepaid Expenses	14,133	14,221
Unreserved		
Undesignated	422,615	462,274
Total Fund Balance	436,748	476,495
TOTAL LIABILITIES AND FUND BALANCE	\$ 484,195	\$ 513,056

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 235,850	\$ 134,299	\$ 160,412
Licenses and Permits	4,950	1,594	2,765
State Grants	100,000	108,481	109,654
Charges for Services	600	820	1,329
Interest and Rents	3,000	12,285	5,266
Other Revenues	46,250	36,383	17,593
Total Revenues	390,650	293,862	297,019
<u>EXPENDITURES</u>			
Legislative	69,700	2,595	2,560
General Government	168,450	87,143	106,320
Public Safety	5,550	8,714	10,058
Public Works	94,500	69,753	79,441
Culture and Recreation	48,450	37,377	43,383
Other Functions	4,000	128,027	109,511
Total Expenditures	390,650	333,609	351,273
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(39,747)	(54,254)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	0	(11,257)
Sale of Capital Assets	0	0	8,802
Total Other Financing Sources (Uses)	0	0	(2,455)
Net Change in Fund Balance	0	(39,747)	(56,709)
<u>FUND BALANCE - Beginning of Year</u>	476,495	476,495	533,204
<u>FUND BALANCE - End of Year</u>	\$ 476,495	\$ 436,748	\$ 476,495

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>TAXES</u>		
Current Property Tax Collections	\$ 101,305	\$ 113,899
Delinquent Property Tax Collections	17,825	26,927
Payments in Lieu of Taxes - Housing Commission	11,284	11,937
Penalties and Interest	2,107	5,847
Property Tax Administrative Fee	1,778	1,802
Total Taxes	<u>134,299</u>	<u>160,412</u>
<u>LICENSES AND PERMITS</u>		
Non-business Licenses	250	200
Land and Zoning Permits	1,344	2,565
Total Licenses and Permits	<u>1,594</u>	<u>2,765</u>
<u>STATE GRANTS</u>		
Sales and Use Tax	<u>108,481</u>	<u>109,654</u>
<u>CHARGES FOR SERVICES</u>		
Building Inspections	0	1,000
Solid Waste Collection	820	329
Total Charges for Services	<u>820</u>	<u>1,329</u>
<u>INTEREST AND RENTS</u>		
Interest	<u>12,285</u>	<u>5,266</u>
<u>OTHER REVENUE</u>		
Contributions from Private Sources	25,686	16,989
Refunds and Miscellaneous	10,697	604
Total Other Revenue	<u>36,383</u>	<u>17,593</u>
TOTAL REVENUES	<u>\$ 293,862</u>	<u>\$ 297,019</u>

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>LEGISLATIVE</u>		
Village Council		
Salaries and Wages	\$ 2,595	\$ 2,560
<u>GENERAL GOVERNMENT</u>		
Village President		
Salary	7,500	7,500
Miscellaneous	0	6
Total Village President	<u>7,500</u>	<u>7,506</u>
Elections		
Contracted Servcies	<u>0</u>	<u>350</u>
Attorney		
Legal Fees	<u>3,825</u>	<u>7,525</u>
Clerk		
Salaries and Wages	2,400	2,400
Office Supplies	517	574
Total Clerk	<u>2,917</u>	<u>2,974</u>
Treasurer		
Office Manager Salary	13,872	12,263
Office Supplies	13	13
Tax Abatements	2,837	14,540
Total Treasurer	<u>16,722</u>	<u>26,816</u>
General Village		
Utilities	2,240	2,050
Repairs and Maintenance	4,700	1,236
Office Supplies	1,178	2,441
Postage	1,386	1,506
Operating Supplies	589	639
Professional Services	38,230	44,137
Contracted Services	0	1,204
Telephone	1,744	2,180

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
Printing and Publishing	1,442	1,484
Rentals	1,640	480
Education and Training	33	24
Dues and Fees	873	1,046
Miscellaneous	2,124	2,722
Total General Village	<u>56,179</u>	<u>61,149</u>
 Total General Government	 <u>87,143</u>	 <u>106,320</u>
 <u>PUBLIC SAFETY</u>		
Fire Protection		
Hydrant Rental	4,000	4,440
Salaries and Wages	1,750	1,750
Total Fire Protection	<u>5,750</u>	<u>6,190</u>
 Planning and Zoning Board		
Salaries and Wages	2,462	2,958
Office Supplies	157	369
Travel	44	96
Dues and Fees	301	445
Total Planning and Zoning	<u>2,964</u>	<u>3,868</u>
 Total Public Safety	 <u>8,714</u>	 <u>10,058</u>
 <u>PUBLIC WORKS</u>		
Department of Public Works		
Salaries	27,438	19,568
Equipment Rental	10,589	5,021
Operating Supplies	1,323	87
Contracted Services	240	0
Repairs and Maintenance	1,125	1,326
Municipal Airport	375	18,583
Street Lighting	22,818	29,642
Sanitation		
Contracted Services	5,845	5,214
Total Public Works	<u>69,753</u>	<u>79,441</u>

VILLAGE OF BALDWIN, MICHIGAN

GENERAL FUND
COMPARATIVE ANALYSIS OF EXPENDITURES

YEAR ENDED FEBRUARY 28,

	<u>2006</u>	<u>2005</u>
<u>CULTURE AND RECREATION</u>		
Parks		
Salaries and Wages	12,947	12,673
Operating Supplies	647	502
Contracted Services		
Wenger Pavilion	20,258	20,817
Other	2,050	3,260
Utilities	723	907
Repairs and Maintenance	269	3,690
Equipment Rental	483	1,534
Total Culture and Recreation	<u>37,377</u>	<u>43,383</u>
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security	4,882	4,246
Medicare	1,118	993
Michigan Unemployment	1,806	1,511
Retirement	15,516	13,911
Health and Life Insurance	86,696	70,115
Workers Compensation	2,835	4,818
Insurance and Bonds	15,174	13,917
Total Other Functions	<u>128,027</u>	<u>109,511</u>
 TOTAL EXPENDITURES	 \$ 333,609	 \$ 351,273

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 227,517	\$ 56,102
Due from Other Governments	12,712	12,282
Due from Other Funds		
Equipment Fund	0	7,712
Payroll Fund	753	202
Prepaid Expenses	66	95
TOTAL ASSETS	\$ 241,048	\$ 76,393
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 331	\$ 735
Local Street Fund	6,696	6,590
Deferred Revenue	185,988	0
Total Liabilities	193,015	7,325
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	66	95
Unreserved	47,967	68,973
Total Fund Balance	48,033	69,068
TOTAL LIABILITIES AND FUND BALANCE	\$ 241,048	\$ 76,393

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Grants			
Motor Vehicle Highway Fund-Act 51	\$ 63,000	\$ 69,936	\$ 67,977
Interest and Rents			
Interest	150	1,594	208
Total Revenues	63,150	71,530	68,185
<u>EXPENDITURES</u>			
Public Works			
Street Construction	7,000	24,198	43,477
Routine Maintenance			
Salaries and Wages	8,500	3,824	2,637
Employee Benefits (FICA)	800	407	317
Materials and Supplies	0	3,417	25
Equipment Rental	22,500	9,505	8,307
Sweeping	600	630	0
Shoulder Work	0	784	0
Repairs & Maintenance	1,000	14,938	216
Winter Maintenance			
Salaries and Wages	0	3,271	4,468
Employee Benefits (FICA)	0	250	342
Equipment Rental	0	11,239	2,369
Administration and General			
Salaries and Wages	1,700	1,500	1,500
Workers' Compensation	0	360	689
Independent Audit	900	900	800
Legal Fees	200	0	0
Engineering	5,900	427	973
Traffic Signs and Signals	1,250	923	1,304
Total Expenditures	50,350	76,573	67,424
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	12,800	(5,043)	761

VILLAGE OF BALDWIN, MICHIGAN

MAJOR STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	5,000	0	0
Transfers Out			
Local Street Fund	<u>(17,800)</u>	<u>(15,992)</u>	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>(12,800)</u>	<u>(15,992)</u>	<u>(10,000)</u>
Net Change in Fund Balance	0	(21,035)	(9,239)
<u>FUND BALANCE - Beginning of Year</u>	<u>69,068</u>	<u>69,068</u>	<u>78,307</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 69,068</u>	<u>\$ 48,033</u>	<u>\$ 69,068</u>

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
	<hr/>	
<u>ASSETS</u>		
Cash	\$ 2,993	\$ 10,597
Due from Other Governmental Units	6,325	6,229
Due from Other Funds		
General Fund	4,393	0
Major Street Fund	6,696	6,590
Equipment Fund	0	10,427
Payroll Fund	911	491
Prepaid Expenses	146	126
	<hr/>	
TOTAL ASSETS	\$ 21,464	\$ 34,460
	<hr/>	
	<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 0	\$ 978
	<hr/>	
<u>FUND BALANCE</u>		
Reserved for Prepaid Expenses	146	126
Unreserved	21,318	33,356
	<hr/>	
Total Fund Balance	21,464	33,482
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 21,464	\$ 34,460
	<hr/>	

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
State Shared Revenues			
Motor Vehicle Highway Fund - Act 51	\$ 43,000	\$ 35,018	\$ 37,119
Telecommunications Right of Way Maintenance	0	5,122	5,338
Interest and Rents			
Interest	100	202	44
Other Revenues			
Reimbursements	1,000	0	0
Total Revenues	<u>44,100</u>	<u>40,342</u>	<u>42,501</u>
<u>EXPENDITURES</u>			
Public Works			
Street Construction	6,000	0	0
Routine Maintenance			
Wages	13,350	8,914	3,855
Employee Benefits (FICA)	900	797	410
Workers' Compensation	0	710	916
Equipment Rental	29,000	14,915	11,306
Sweeping	750	0	0
Shoulder Work	0	554	0
Repairs & Maintenance	3,500	9,682	4,425
Winter Maintenance			
Wages	0	8,502	6,102
Employee Benefits (FICA)	0	650	467
Equipment Rental	2,500	20,389	4,114
Administration			
Salaries	1,700	1,500	1,500
Legal Fees	500	0	935
Independent Audit	900	900	800
Engineering	4,000	427	451
Miscellaneous	0	16	0
Traffic Signs and Signals	800	396	1,310
Total Expenditures	<u>63,900</u>	<u>68,352</u>	<u>36,591</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(19,800)</u>	<u>(28,010)</u>	<u>5,910</u>

VILLAGE OF BALDWIN, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	0	0	1,977
Major Street Fund	17,800	15,992	10,000
Total Other Financing Sources (Uses)	17,800	15,992	11,977
Net Change in Fund Balance	(2,000)	(12,018)	17,887
<u>FUND BALANCE - Beginning of Year</u>	33,482	33,482	15,595
<u>FUND BALANCE - End of Year</u>	\$ 31,482	\$ 21,464	\$ 33,482

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 96,237	\$ 92,305
Due from Other Governmental Units	96,393	92,381
Due from Other Funds		
General Fund	3,933	0
Payroll Fund	107	107
Prepaid Expenses	14,222	14,273
TOTAL ASSETS	\$ 210,892	\$ 199,066

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 85	\$ 190
Due to Other Funds		
General Fund	0	12,146
Deferred Revenue	47,100	41,032
Total Liabilities	47,185	53,368

FUND BALANCE

Reserved for Prepaid Expenses	14,222	14,273
Unreserved	149,485	131,425
Total Fund Balance	163,707	145,698

TOTAL LIABILITIES AND FUND BALANCE	\$ 210,892	\$ 199,066
------------------------------------	------------	------------

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Federal Grants			
FEMA Grant	\$ 0	\$ 0	\$ 83,520
Charges for Services			
Fire Contract Revenue	100,000	96,164	118,857
Fire Run Revenue	1,000	0	2,500
Interest and Rents			
Interest Income	250	2,798	274
Other			
Donations and Miscellaneous	1,500	760	0
Total Revenues	102,750	99,722	205,151
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Salaries			
Fire Chief	2,000	1,750	1,750
Assistant Fire Chief	1,200	1,200	1,200
2nd Assistant Fire Chief	350	350	350
Treasurer	1,200	1,200	1,200
Captain	300	300	300
Safety Officer	300	300	300
Contracted Services - Firefighters	12,000	12,000	12,000
Contracted Services - Other	0	1,200	0
Employee Benefits (FICA)	200	134	134
Operating Supplies	17,250	14,420	20,390
Independent Audit	900	1,100	900
Legal Fees	500	0	0
Communications	1,500	1,518	1,189
Gasoline and Oil	2,500	3,949	2,073

VILLAGE OF BALDWIN, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Insurance	1,000	14,361	13,796
Electricity	850	734	726
Heat	800	1,159	0
Water	650	632	583
Equipment Repairs	1,000	321	86
Truck Repairs	6,000	4,691	2,689
Building Repairs	1,000	91	228
Training and Dues	3,450	1,532	297
Capital Outlay	43,800	0	97,949
Hydrant Rental	4,000	0	0
Safety Deposit Box Rental	0	36	0
Debt Service			
Principal	0	13,311	12,682
Interest Expense	0	5,424	6,053
Total Expenditures	<u>102,750</u>	<u>81,713</u>	<u>176,875</u>
Excess (Deficiency) of Revenues (Under) Expenditures	0	18,009	28,276
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In			
General Fund	<u>0</u>	<u>0</u>	<u>9,280</u>
Net Change in Fund Balance	0	18,009	37,556
<u>FUND BALANCE - Beginning of Year</u>	<u>145,698</u>	<u>145,698</u>	<u>108,142</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 145,698</u>	<u>\$ 163,707</u>	<u>\$ 145,698</u>

VILLAGE OF BALDWIN, MICHIGAN

1990 HOUSING REHABILITATION FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 48,421	\$ 47,143
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Community Development	48,421	47,143
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,421	\$ 47,143

VILLAGE OF BALDWIN, MICHIGAN

1990 HOUSING REHABILITATION FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED

	<u>FEBRUARY 28</u> <u>2006</u>	<u>FEBRUARY 28</u> <u>2005</u>
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 1,131	\$ 157
Other Revenues		
MSHDA Loan Repayments	1,347	684
	<hr/>	<hr/>
Total Revenues	2,478	841
 <u>EXPENDITURES</u>		
Professional Fees	1,200	700
	<hr/>	<hr/>
 Net Change in Fund Balance	1,278	141
 <u>FUND BALANCE - Beginning of Year</u>	47,143	47,002
	<hr/>	<hr/>
<u>FUND BALANCE - End of Year</u>	\$ 48,421	\$ 47,143
	<hr/> <hr/>	<hr/> <hr/>

VILLAGE OF BALDWIN, MICHIGAN

TOWNE CENTRAL CAPITAL PROJECT FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 6,921	\$ 1,003
Due from Other Governmental Units	<u>34,974</u>	<u>0</u>
	\$ <u><u>41,895</u></u>	\$ <u><u>1,003</u></u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to Other Funds		
General Fund	\$ 0	\$ 1,000
Sewer Fund	<u>41,757</u>	<u>0</u>
Total Liabilities	<u>41,757</u>	<u>1,000</u>
<u>FUND BALANCE</u>		
Unreserved	<u>138</u>	<u>3</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>41,895</u></u>	\$ <u><u>1,003</u></u>

VILLAGE OF BALDWIN, MICHIGAN

TOWNE CENTRAL CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED

	<u>FEBRUARY 28</u> <u>2006</u>	<u>FEBRUARY 28</u> <u>2005</u>
<u>REVENUES</u>		
Federal Grants		
Community Development Block Grant	\$ 76,404	\$ 19,433
Interest and Rents		
Interest	<u>135</u>	<u>3</u>
Total Revenues	<u>76,539</u>	<u>19,436</u>
 <u>EXPENDITURES</u>		
Public Works		
Capital Outlay	<u>76,404</u>	<u>19,433</u>
Net Change in Fund Balance	135	3
 <u>FUND BALANCE - Beginning of Year</u>	<u>3</u>	<u>0</u>
 <u>FUND BALANCE - End of Year</u>	\$ <u><u>138</u></u>	\$ <u><u>3</u></u>

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 64,632	\$ 94,388
Accounts Receivable	11,771	8,472
Due from Other Governments	23,319	145,719
Prepaid Expenses	2,988	3,272
Due from Other Funds		
Equipment Fund	0	2,524
Payroll Fund	2,577	3,350
Total Current Assets	105,287	257,725
<u>RESTRICTED ASSETS</u>		
Cash		
Bond Redemption	49,392	36,015
Bond Reserve	110,366	108,449
Total Restricted Assets	159,758	144,464
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	13,813	13,813
Machinery and Equipment	36,215	10,213
Water System Improvements	6,627,431	5,908,064
Construction in Progress	0	582,975
Accumulated Depreciation	(1,200,632)	(1,066,027)
Total Property, Plant and Equipment	5,476,827	5,449,038
TOTAL ASSETS	\$ 5,741,872	\$ 5,851,227

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES (Payable from Current Assets)</u>		
Accounts Payable	\$ 19,674	\$ 49,148
Due to Other Funds		
General Fund	1,696	4,483
Total Current Liabilities (Payable from Current Assets)	21,370	53,631
<u>CURRENT LIABILITIES (Payable from Restricted Assets)</u>		
Current Portion of Revenue Bonds	21,000	20,000
Accrued Interest Payable	19,600	19,700
Total Current Liabilities (Payable from Restricted Assets)	40,600	39,700
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable (Net of Current Portion)	1,478,000	1,499,000
Total Liabilities	1,539,970	1,592,331
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	3,977,827	3,930,038
Restricted for Debt Service	159,758	144,464
Unrestricted	64,317	184,394
Total Net Assets	4,201,902	4,258,896
TOTAL LIABILITIES AND NET ASSETS	\$ 5,741,872	\$ 5,851,227

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>OPERATING REVENUES</u>			
Water Billings	\$ 165,000	\$ 164,608	\$ 147,517
Hydrant Rental	4,000	4,000	4,440
Other Income	4,000	0	0
Total Operating Revenues	173,000	168,608	151,957
<u>OPERATING EXPENSES</u>			
Administration	2,000	1,500	1,500
Wages and Fringe Benefits	57,500	37,023	49,669
Collection Agent Salary	13,000	13,855	12,190
Office Supplies	500	52	36
Postage	800	757	275
Legal Fees	750	0	0
Professional Services	2,000	2,400	1,900
Lab Fees	7,000	5,633	1,992
Operating Supplies	9,250	10,119	8,523
Insurance	1,000	4,900	7,086
Utilities	14,500	18,554	20,932
Pump and Tower Maintenance	15,500	7,305	224
Equipment Rental	14,000	10,327	12,744
Alarm System Rent and Telephone	3,950	1,580	3,965
Education and Training	1,000	521	678
Depreciation	0	134,605	81,080
Dues and Fees	0	4,005	1,222
Miscellaneous	250	1,456	150
Total Operating Expenses	143,000	254,592	204,166
Operating Income (Loss)	30,000	(85,984)	(52,209)

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	2,000	4,936	2,841
Interest Expense	(34,000)	(66,296)	(66,898)
Rural Development Grant	0	89,600	2,486,886
Connection Fees	2,000	750	2,000
Total Nonoperating Revenues (Expenses)	(30,000)	28,990	2,424,829
Change in Net Assets	0	(56,994)	2,372,620
<u>NET ASSETS - Beginning of Year</u>	4,258,896	4,258,896	1,886,276
<u>NET ASSETS - End of Year</u>	\$ 4,258,896	\$ 4,201,902	\$ 4,258,896

VILLAGE OF BALDWIN, MICHIGAN

WATER FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	<u>FEBRUARY 28</u> 2006	<u>FEBRUARY 28</u> 2005
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 165,749	\$ 156,389
Cash Payments to Suppliers for Goods and Services	(162,821)	(126,902)
Net Cash Provided by (Used for) Operating Activities	2,928	29,487
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(148,680)	(2,363,398)
Grant Proceeds	212,000	2,467,600
User Contributions	750	2,000
Principal Paid on Bonds	(20,000)	(13,000)
Interest Paid on Bonds	(66,396)	(64,298)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(22,326)	28,904
Cash Flows from Investing Activities		
Interest Income	4,936	2,841
Net Increase (Decrease) in Cash and Cash Equivalents	(14,462)	61,232
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	238,852	177,620
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 224,390	\$ 238,852
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ (85,984)	\$ (52,209)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	134,605	81,080
(Increase) Decrease in Current Assets		
Accounts Receivable	(3,299)	5,912
Prepaid Expenses	284	(562)
Due from Other Funds	3,297	(5,236)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(29,474)	0
Due to Other Funds	(2,787)	502
Total Adjustments	102,626	81,696
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 16,642	\$ 29,487

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 521,846	\$ 626,501
Accounts Receivable	24,627	26,993
Prepaid Expenses	8,980	9,182
Due from Other Funds		
Equipment Fund	0	510
Towne Central Capital Projects Fund	41,757	0
Payroll Fund	4,340	4,340
Total Current Assets	601,550	667,526
<u>RESTRICTED ASSETS</u>		
Cash		
Replacement	27,630	20,568
Bond Redemption - (Overdraft)	9,749	(926)
Bond Reserve	133,815	130,788
Total Restricted Assets	171,194	150,430
<u>PROPERTY, PLANT AND EQUIPMENT</u>		
Land	35,267	35,267
Machinery and Equipment	33,102	33,102
Sewer System Improvements	11,098,209	11,065,213
Accumulated Depreciation	(1,627,629)	(1,388,490)
Total Property, Plant and Equipment	9,538,949	9,745,092
<u>DEFERRED CHARGES</u>		
Bond Issuance Costs - Net of Amortization	27,640	28,526
TOTAL ASSETS	\$ 10,339,333	\$ 10,591,574

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u> (Payable from Current Assets)		
Accounts Payable	\$ 1,587	\$ 2,497
Due to Other Funds		
General Fund	3,843	15,474
Total Current Liabilities Payable from Current Assets	5,430	17,971
<u>CURRENT LIABILITIES</u> (Payable from Restricted Assets)		
Current Portion of Revenue Bonds	23,500	23,500
<u>LONG-TERM LIABILITIES</u>		
Deferred Revenue	364,851	375,254
Revenue Bonds Payable (Net of Current Portion)	1,704,000	1,727,500
Total Long-Term Liabilities	2,068,851	2,102,754
Total Liabilities	2,097,781	2,144,225
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	7,811,449	7,994,092
Restricted for Debt Service	171,194	150,430
Unrestricted	258,909	302,827
Total Net Assets	8,241,552	8,447,349
TOTAL LIABILITIES AND NET ASSETS	\$ 10,339,333	\$ 10,591,574

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>OPERATING REVENUES</u>			
Sewer Billings	\$ 380,000	\$ 363,704	\$ 376,885
Septage Hauler Billings	8,000	15,060	0
Other	10,000	0	0
	<u>398,000</u>	<u>378,764</u>	<u>376,885</u>
<u>OPERATING EXPENSES</u>			
Administration	2,000	1,500	1,500
Wages and Fringe Benefits	103,000	91,930	77,372
Collection Agent Salary	14,000	13,885	12,223
Office Supplies	1,600	770	929
Postage	500	666	268
Legal Fees	1,000	17	0
Professional Services	1,500	1,800	1,400
Operating Supplies and Chemicals	28,700	39,177	18,747
Contracted Services - Operations Assistant	6,500	10,433	19,301
Lab Fees	2,500	0	3,894
Sludge Removal	25,000	0	0
Insurance	3,500	12,257	14,573
Electricity	51,500	54,873	44,500
Heat	13,000	14,706	11,219
Fuel Oil	1,200	134	1,092
Telephone	4,500	4,527	4,156
Lift Station Maintenance	20,000	12,186	2,464
Treatment Plant Maintenance	10,000	12,392	6,351
Equipment Rental	10,000	11,927	1,909
Education and Training	1,500	2,112	200
Dues and Subscriptions	500	0	0
Depreciation	0	239,139	237,531
Total Operating Expenses	<u>302,000</u>	<u>524,431</u>	<u>459,629</u>
Operating Income (Loss)	<u>96,000</u>	<u>(145,667)</u>	<u>(82,744)</u>

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	2006		2005
	BUDGET	ACTUAL	ACTUAL
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	5,000	19,561	7,879
Interest Expense	(106,000)	(81,506)	(82,513)
Amortization of Bond Issuance Costs	0	(885)	(885)
Connection Fees	5,000	2,700	11,700
Total Nonoperating Revenues (Expenses)	(96,000)	(60,130)	(63,819)
Change in Net Assets	0	(205,797)	(146,563)
<u>NET ASSETS - Beginning of Year</u>	8,447,349	8,447,349	8,593,912
<u>NET ASSETS - End of Year</u>	\$ 8,447,349	\$ 8,241,552	\$ 8,447,349

VILLAGE OF BALDWIN, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	<u>FEBRUARY 28</u> 2006	<u>FEBRUARY 28</u> 2005
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 370,727	\$ 387,661
Cash Payments to Suppliers for Goods and Services	(338,878)	(219,793)
Net Cash Provided by (Used for) Operating Activities	<u>31,849</u>	<u>167,868</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(32,995)	(91,670)
User Contributions	2,700	11,700
Principal Paid on Bonds	(23,500)	(21,500)
Interest Paid on Bonds	(81,506)	(82,513)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(135,301)</u>	<u>(183,983)</u>
Cash Flows from Investing Activities		
Interest Income	<u>19,561</u>	<u>7,879</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(83,891)	(8,236)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	<u>776,931</u>	<u>785,167</u>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u><u>\$ 693,040</u></u>	<u><u>\$ 776,931</u></u>
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	<u>\$ (145,667)</u>	<u>\$ (82,744)</u>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities:		
Depreciation and Amortization	239,139	237,531
(Increase) Decrease in Current Assets		
Accounts Receivable	2,366	20,147
Prepaid Expenses	202	(901)
Due from Other Funds	(41,247)	(3,083)
Increase (Decrease) in Current and Long-Term Liabilities		
Accounts Payable	(910)	2,497
Due to Other Funds	(11,631)	3,792
Deferred Revenue	(10,403)	(9,371)
Total Adjustments	<u>177,516</u>	<u>250,612</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 31,849</u></u>	<u><u>\$ 167,868</u></u>

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND
COMPARATIVE BALANCE SHEET

	<u>FEBRUARY 28</u> <u>2006</u>	<u>FEBRUARY 28</u> <u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 175,988	\$ 79,572
Prepaid Expenses	4,479	4,499
Total Current Assets	<u>180,467</u>	<u>84,071</u>
<u>CAPITAL ASSETS</u>		
Machinery and Equipment	310,957	315,119
Accumulated Depreciation	<u>(198,853)</u>	<u>(185,934)</u>
Total Capital Assets	<u>112,104</u>	<u>129,185</u>
TOTAL ASSETS	<u>\$ 292,571</u>	<u>\$ 213,256</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,074	\$ 910
Due to General Fund	0	5,125
Due to Major Street Fund	0	7,712
Due to Local Street Fund	0	10,427
Due to Sewer Fund	0	510
Due to Water Fund	<u>0</u>	<u>2,524</u>
Total Liabilities	1,074	27,208
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	112,104	129,185
Unrestricted	<u>179,393</u>	<u>56,863</u>
Total Net Assets	<u>291,497</u>	<u>186,048</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 292,571</u>	<u>\$ 213,256</u>

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED FEBRUARY 28, 2005

	<u>2006</u>		<u>2005</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Equipment Rental	\$ 77,000	\$ 89,374	\$ 46,642
<u>OPERATING EXPENSES</u>			
Administration	250	0	0
Professional Services	1,000	1,000	800
Operating Supplies	2,000	1,372	1,146
Gasoline and Oil	8,000	13,342	7,577
Insurance	2,500	4,499	4,209
Utilities			
Electricity	2,700	1,079	2,769
Heat	1,200	1,224	1,504
Telephone	1,400	883	1,382
Repairs and Maintenance			
Equipment Repairs	15,000	17,913	11,683
Building Repairs	2,500	0	0
Capital Outlay	41,050	0	0
Depreciation	0	17,081	15,229
Total Operating Expenses	77,600	58,393	46,299
Operating Income (Loss)	(600)	30,981	343
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	600	2,768	759
Grants	0	71,700	0
Total Non-Operating Revenues (Expenses)	600	74,468	2,657
Change in Net Assets	0	105,449	3,000
<u>NET ASSETS - Beginning of Year</u>	168,011	186,048	183,048
<u>NET ASSETS - End of Year</u>	\$ 168,011	\$ 291,497	\$ 186,048

VILLAGE OF BALDWIN, MICHIGAN

EQUIPMENT FUND
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Interfund Services Provided	\$ 63,076	\$ 68,323
Cash Payments to Suppliers for Goods and Services	(41,128)	(30,450)
Net Cash Provided by (Used for) Operating Activities	21,948	37,873
Cash Flows from Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	0	(71,700)
Grant Proceeds	71,700	0
Cash Received from Sale of Capital Assets	0	4,885
Net Cash Provided by (Used for) Capital and Related Financing Activities	71,700	(66,815)
Cash Flows from Investing Activities:		
Interest Income	2,768	758
Net Increase (Decrease) in Cash and Cash Equivalents	96,416	(28,184)
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	79,572	107,756
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 175,988	\$ 79,572
<u>RECONCILIATION OF OPERATING INCOME</u> <u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 30,981	\$ 343
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,081	15,229
(Increase) Decrease in Current Assets		
Prepaid Expenses	20	(290)
Increase (Decrease) in Current Liabilities		
Accounts Payable	164	910
Due to Other Funds	(26,298)	21,681
Total Adjustments	(9,033)	37,530
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 21,948	\$ 37,873

VILLAGE OF BALDWIN, MICHIGAN
FIDUCIARY FUND
IMPREST PAYROLL FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED FEBRUARY 28, 2006

	MARCH 1		FEBRUARY 28	
	2005	ADDITIONS	DEDUCTIONS	2006
<u>ASSETS</u>				
Cash	\$ 13,275	\$ 285,194	\$ 289,032	\$ 9,437
Payroll Withholdings Overpaid	48	143,399	139,120	4,327
TOTAL ASSETS	\$ 13,323	\$ 428,593	\$ 428,152	\$ 13,764
<u>LIABILITIES</u>				
Accrued Payroll Taxes	\$ 775	\$ 21,364	\$ 21,315	\$ 824
Due to Other Funds				
General Fund	4,058	93,476	93,282	4,252
Major Streets Fund	202	10,355	9,804	753
Local Streets Fund	491	21,203	20,783	911
Fire Fund	107	1,885	1,885	107
Sewer Fund	4,340	107,316	107,316	4,340
Water Fund	3,350	50,832	51,605	2,577
TOTAL LIABILITIES	\$ 13,323	\$ 306,431	\$ 305,990	\$ 13,764

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUNDS
COMBINING BALANCE SHEET

FEBRUARY 28, 2006
WITH COMPARATIVE TOTALS FOR FEBRUARY 28, 2005

	DEBT		TOTALS	
	OPERATING	RETIREMENT	2006	2005
	FUND	FUND		
<u>ASSETS</u>				
Cash	\$ 76,874	\$ 2,530	\$ 79,404	\$ 55,722
Receivable				
Property Taxes	74,772	0	74,772	75,550
TOTAL ASSETS	\$ 151,646	\$ 2,530	\$ 154,176	\$ 131,272
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred Revenue	\$ 60,801	\$ 0	\$ 60,801	\$ 62,773
Due to Primary Government				
General Fund	45,728	0	45,728	62,750
Total Liabilities	106,529	0	106,529	125,523
<u>FUND BALANCES</u>				
Reserved for Debt Service	0	2,530	2,530	2,518
Unreserved	45,117	0	45,117	3,231
Total Fund Balances	45,117	2,530	47,647	5,749
TOTAL LIABILITIES AND FUND BALANCE	\$ 151,646	\$ 2,530	\$ 154,176	\$ 131,272

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 28, 2006

WITH COMPARATIVE TOTALS FOR YEAR ENDED FEBRUARY 28, 2005

	OPERATING	DEBT	TOTALS	
	FUND	RETIREMENT	2006	2005
		FUND		
<u>REVENUES</u>				
Taxes	\$ 153,217	\$ 0	\$ 153,217	\$ 87,829
Interest and Rents	1,290	13	1,303	166
Total Revenues	154,507	13	154,520	87,995
<u>EXPENDITURES</u>				
General Government	17,199	0	17,199	17,498
Capital Outlay	5,000	0	5,000	0
Debt Retirement	2,480	87,943	90,423	80,419
Total Expenditures	24,679	87,943	112,622	97,917
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	129,828	(87,930)	41,898	(9,922)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in (Out)	(87,942)	87,942	0	0
Net Change in Fund Balances	41,886	12	41,898	41,898
<u>FUND BALANCES - Beginning of Year</u>	3,231	2,518	5,749	15,671
<u>FUND BALANCES - End of Year</u>	\$ 45,117	\$ 2,530	\$ 47,647	\$ 57,569

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY OPERATING FUND

COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 76,874	\$ 53,204
Receivables		
Property Taxes	74,772	75,550
TOTAL ASSETS	\$ 151,646	\$ 128,754
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 60,801	\$ 62,773
Due to Primary Government		
General Fund	45,728	62,750
Total Liabilities	106,529	125,523
<u>FUND BALANCE</u>		
Unreserved	45,117	3,231
TOTAL LIABILITIES AND FUND BALANCE	\$ 151,646	\$ 128,754

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY OPERATING FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED

	<u>FEBRUARY 28</u> <u>2006</u>	<u>FEBRUARY 28</u> <u>2005</u>
<u>REVENUES</u>		
Taxes		
Current Property Tax Levy	\$ 92,671	\$ 79,050
Delinquent Taxes	60,546	8,779
Interest and Rents		
Interest	1,290	153
Total Revenues	<u>154,507</u>	<u>87,982</u>
<u>EXPENDITURES</u>		
General Government		
Office Supplies	39	0
Printing and Publishing	0	495
Insurance-Bond	170	170
Professional Services	1,100	1,300
Contracted Services	9,000	11,202
Promotion	950	0
Dues and Fees	700	0
Maintenance	3,103	3,118
Water	2,137	1,213
Capital Outlay		
Trailhead	5,000	0
Debt Service		
Interest	2,480	826
Total Expenditures	<u>24,679</u>	<u>18,324</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	129,828	69,658
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers Out		
Debt Service Fund	(87,942)	(79,593)
Net Change in Fund Balance	41,886	(9,935)
<u>FUND BALANCE - Beginning of Year</u>	<u>3,231</u>	<u>13,166</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 45,117</u>	<u>\$ 3,231</u>

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND
COMPARATIVE BALANCE SHEET

	FEBRUARY 28 2006	FEBRUARY 28 2005
<u>ASSETS</u>		
Cash	\$ 2,530	\$ 2,518
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	2,530	2,518
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,530	\$ 2,518

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY DEBT RETIREMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED,

	FEBRUARY 28 2006	FEBRUARY 28 2005
<hr/>		
<u>REVENUES</u>		
Interest and Rents		
Interest	\$ 13	\$ 13
<hr/>		
<u>EXPENDITURES</u>		
Debt Service		
Principal	40,000	30,000
Interest and Fiscal Charges	47,653	49,303
Paying Agent Fees	290	290
<hr/>		
Total Expenditures	87,943	79,593
<hr/>		
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	(87,930)	(79,580)
<hr/>		
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In		
Operating Fund	87,942	79,593
<hr/>		
Net Change in Fund Balance	12	13
<hr/>		
<u>FUND BALANCE - Beginning of Year</u>	2,518	2,505
<hr/>		
<u>FUND BALANCE - End of Year</u>	\$ 2,530	\$ 2,518
<hr/>		

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF 2005 PROPERTY TAX ROLL
YEAR ENDED FEBRUARY 28, 2006

TAXES ASSESSED (Taxable Valuation \$9,133,010) *

General Fund - 14.3665 Mills \$ 132,580

TAXES COLLECTED

General Fund 113,899

TAXES RETURNED DELINQUENT

General Fund \$ 18,681

* Total Taxable Valuation	\$ 14,455,986
Less Downtown Development	
Authority Capture	<u>5,322,976</u>
	<u><u>\$ 9,133,010</u></u>

VILLAGE OF BALDWIN, MICHIGAN

STATEMENT OF 2005 TAX INCREMENT FINANCING TAX ROLL
YEAR ENDED FEBRUARY 28, 2006

SUMMER TAX ROLL - VILLAGE OF BALDWIN

TAXES ASSESSED (Captured Taxable Valuation \$5,322,976)

Downtown Development Authority - 14.3665 Mills \$ 76,473

TAXES COLLECTED

Downtown Development Authority 76,473

TAXES RETURNED DELINQUENT

Downtown Development Authority \$ 0

WINTER AND SUMMER TAX ROLLS

	<u>CAPTURED TAXABLE VALUE</u>	<u>TAXES ASSESSED</u>	<u>TAXES COLLECTED</u>	<u>TAXES RETURNED DELINQUENT</u>
Webber Township		\$ 16,198	\$ 0	\$ 16,198
Pleasant Plains Township		11,852	0	11,852
Lake County		<u>48,949</u>	<u>0</u>	<u>48,949</u>
	\$ <u>5,322,976</u>	\$ <u>76,999</u>	\$ <u>0</u>	\$ <u>76,999</u>

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>PURPOSE</u>	Defraying part of the cost of acquiring and constructing improvements to the Water Supply System		
<u>DATE OF ISSUE</u>	April 14, 1981		
<u>INTEREST RATE</u>	5.00%		
<u>INTEREST PAYABLE</u>	January 1st and July 1st of each year		
<u>AMOUNT OF ISSUE</u>		\$	455,000
<u>BONDS RETIRED</u>			
Prior Years	\$	190,000	
Current Year		<u>13,000</u>	<u>203,000</u>
<u>BALANCE OUTSTANDING - February 28, 2006</u>		\$	<u><u>252,000</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2006	\$ 6,300	\$ 6,300	
January 1, 2007	20,300	6,300	\$ 14,000
July 1, 2007	5,950	5,950	
January 1, 2008	20,950	5,950	15,000
July 1, 2008	5,575	5,575	
January 1, 2009	21,575	5,575	16,000
July 1, 2009	5,175	5,175	
January 1, 2010	21,175	5,175	16,000
July 1, 2010	4,775	4,775	
January 1, 2011	21,775	4,775	17,000

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
July 1, 2011	4,350	4,350	
January 1, 2012	22,350	4,350	18,000
July 1, 2012	3,900	3,900	
January 1, 2013	22,900	3,900	19,000
July 1, 2013	3,425	3,425	
January 1, 2014	23,425	3,425	20,000
July 1, 2014	2,925	2,925	
January 1, 2015	23,925	2,925	21,000
July 1, 2015	2,400	2,400	
January 1, 2016	24,400	2,400	22,000
July 1, 2016	1,850	1,850	
January 1, 2017	24,850	1,850	23,000
July 1, 2017	1,275	1,275	
January 1, 2018	25,275	1,275	24,000
July 1, 2018	675	675	
January 1, 2019	27,675	675	27,000
	\$ 349,150	\$ 97,150	\$ 252,000

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Water Supply System Revenue Bonds		
<u>PURPOSE</u>	Defraying part of the cost of acquiring and constructing improvements to the Water Supply System.		
<u>DATE OF ISSUE</u>	September 23, 2003		
<u>INTEREST RATE</u>	4.25%		
<u>INTEREST PAYABLE</u>	May 1st and November 1st of each year		
<u>AMOUNT OF ISSUE</u>		\$	1,254,000
<u>BONDS RETIRED</u>			
Prior Years	\$	0	
Current Year		<u>7,000</u>	<u>7,000</u>
<u>BALANCE OUTSTANDING - February 28, 2006</u>		\$	<u><u>1,247,000</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2006	\$ 33,499	\$ 26,499	\$ 7,000
November 1, 2006	26,350	26,350	
May 1, 2007	33,350	26,350	7,000
November 1, 2007	26,201	26,201	
May 1, 2008	33,201	26,201	7,000
November 1, 2008	26,053	26,053	
May 1, 2009	34,052	26,052	8,000
November 1, 2009	25,883	25,883	
May 1, 2010	33,882	25,882	8,000
November 1, 2010	25,713	25,713	
May 1, 2011	33,712	25,712	8,000
November 1, 2011	25,543	25,543	
May 1, 2012	33,543	25,543	8,000
November 1, 2012	25,373	25,373	
May 1, 2013	33,372	25,372	8,000
November 1, 2013	25,203	25,203	

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2014	34,202	25,202	9,000
November 1, 2014	25,011	25,011	
May 1, 2015	34,011	25,011	9,000
November 1, 2015	24,820	24,820	
May 1, 2016	33,820	24,820	9,000
November 1, 2016	24,629	24,629	
May 1, 2017	34,629	24,629	10,000
November 1, 2017	24,416	24,416	
May 1, 2018	34,416	24,416	10,000
November 1, 2018	24,204	24,204	
May 1, 2019	49,204	24,204	25,000
November 1, 2019	23,673	23,673	
May 1, 2020	49,672	23,672	26,000
November 1, 2020	23,120	23,120	
May 1, 2021	50,120	23,120	27,000
November 1, 2021	22,546	22,546	
May 1, 2022	51,546	22,546	29,000
November 1, 2022	21,930	21,930	
May 1, 2023	51,930	21,930	30,000
November 1, 2023	21,293	21,293	
May 1, 2024	53,292	21,292	32,000
November 1, 2024	20,613	20,613	
May 1, 2025	53,612	20,612	33,000
November 1, 2025	19,911	19,911	
May 1, 2026	54,911	19,911	35,000
November 1, 2026	19,168	19,168	
May 1, 2027	55,167	19,167	36,000
November 1, 2027	18,403	18,403	
May 1, 2028	56,402	18,402	38,000
November 1, 2028	17,595	17,595	
May 1, 2029	57,595	17,595	40,000
November 1, 2029	16,745	16,745	
May 1, 2030	57,745	16,745	41,000
November 1, 2030	15,874	15,874	
May 1, 2031	59,874	15,874	44,000
November 1, 2031	14,939	14,939	
May 1, 2032	60,939	14,939	46,000
November 1, 2032	13,961	13,961	

VILLAGE OF BALDWIN, MICHIGAN

WATER SUPPLY SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2033	61,961	13,961	48,000
November 1, 2033	12,941	12,941	
May 1, 2034	61,941	12,941	49,000
November 1, 2034	11,900	11,900	
May 1, 2035	63,900	11,900	52,000
November 1, 2035	10,795	10,795	
May 1, 2036	64,795	10,795	54,000
November 1, 2036	9,648	9,648	
May 1, 2037	65,647	9,647	56,000
November 1, 2037	8,458	8,458	
May 1, 2038	67,457	8,457	59,000
November 1, 2038	7,204	7,204	
May 1, 2039	69,204	7,204	62,000
November 1, 2039	5,886	5,886	
May 1, 2040	70,886	5,886	65,000
November 1, 2040	4,505	4,505	
May 1, 2041	72,505	4,505	68,000
November 1, 2041	3,060	3,060	
May 1, 2042	74,060	3,060	71,000
November 1, 2042	1,551	1,551	
May 1, 2043	74,551	1,551	73,000
	<u>\$ 2,623,723</u>	<u>\$ 1,376,723</u>	<u>\$ 1,247,000</u>

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Sanitary Sewer System Revenue Bonds
<u>PURPOSE</u>	Construction of Sanitary Sewer System
<u>DATE OF ISSUE</u>	March 8, 1996
<u>INTEREST RATE</u>	5.00%
<u>INTEREST PAYABLE</u>	March 1st and September 1st of each year

<u>AMOUNT OF ISSUE</u>	\$ 855,000
------------------------	------------

BONDS RETIRED

Prior Years	\$ 71,000	
Current Year	<u>11,500</u>	<u>82,500</u>

<u>BALANCE OUTSTANDING - February 28, 2006</u>	\$ <u><u>772,500</u></u>
--	--------------------------

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2006	\$ 19,312	\$ 19,312	
March 1, 2007	30,812	19,312	\$ 11,500
September 1, 2007	19,025	19,025	
March 1, 2008	30,525	19,025	11,500
September 1, 2008	18,737	18,737	
March 1, 2009	31,237	18,737	12,500
September 1, 2009	18,425	18,425	
March 1, 2010	31,425	18,425	13,000
September 1, 2010	18,100	18,100	
March 1, 2011	32,100	18,100	14,000
September 1, 2011	17,750	17,750	
March 1, 2012	33,250	17,750	15,500

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2012	17,362	17,362	
March 1, 2013	32,862	17,362	15,500
September 1, 2013	16,975	16,975	
March 1, 2014	33,475	16,975	16,500
September 1, 2014	16,562	16,562	
March 1, 2015	33,562	16,562	17,000
September 1, 2015	16,137	16,137	
March 1, 2016	34,137	16,137	18,000
September 1, 2016	15,687	15,687	
March 1, 2017	34,687	15,687	19,000
September 1, 2017	15,212	15,212	
March 1, 2018	35,712	15,212	20,500
September 1, 2018	14,700	14,700	
March 1, 2019	35,200	14,700	20,500
September 1, 2019	14,187	14,187	
March 1, 2020	36,187	14,187	22,000
September 1, 2020	13,637	13,637	
March 1, 2021	36,638	13,638	23,000
September 1, 2021	13,063	13,063	
March 1, 2022	37,063	13,063	24,000
September 1, 2022	12,463	12,463	
March 1, 2023	37,963	12,463	25,500
September 1, 2023	11,825	11,825	
March 1, 2024	38,325	11,825	26,500
September 1, 2024	11,163	11,163	
March 1, 2025	39,163	11,163	28,000
September 1, 2025	10,463	10,463	
March 1, 2026	39,963	10,463	29,500
September 1, 2026	9,725	9,725	
March 1, 2027	40,225	9,725	30,500
September 1, 2027	8,963	8,963	
March 1, 2028	40,963	8,963	32,000
September 1, 2028	8,163	8,163	
March 1, 2029	42,663	8,163	34,500
September 1, 2029	7,300	7,300	
March 1, 2030	42,800	7,300	35,500

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2030	6,413	6,413	
March 1, 2031	44,413	6,413	38,000
September 1, 2031	5,463	5,463	
March 1, 2032	44,963	5,463	39,500
September 1, 2032	4,475	4,475	
March 1, 2033	46,475	4,475	42,000
September 1, 2033	3,425	3,425	
March 1, 2034	46,925	3,425	43,500
September 1, 2034	2,338	2,338	
March 1, 2035	47,838	2,338	45,500
September 1, 2035	1,200	1,200	
March 1, 2036	49,200	1,200	48,000
	<u>\$ 1,509,001</u>	<u>\$ 736,501</u>	<u>\$ 772,500</u>

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Sanitary Sewer System Revenue Bonds
<u>PURPOSE</u>	Construction of Sanitary Sewer System
<u>DATE OF ISSUE</u>	June 3, 2000
<u>INTEREST RATE</u>	4.38%
<u>INTEREST PAYABLE</u>	March 1st and September 1st of each year
<u>AMOUNT OF ISSUE</u>	\$ 1,016,000
<u>BONDS RETIRED</u>	
Prior Years	\$ 49,000
Current Year	<u>12,000</u>
	<u>61,000</u>
<u>BALANCE OUTSTANDING - February 28, 2006</u>	\$ <u><u>955,000</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2006	\$ 20,891	\$ 20,891	
March 1, 2007	32,891	20,891	\$ 12,000
September 1, 2007	20,628	20,628	
March 1, 2008	33,628	20,628	13,000
September 1, 2008	20,344	20,344	
March 1, 2009	34,344	20,344	14,000
September 1, 2009	20,038	20,038	
March 1, 2010	34,038	20,038	14,000
September 1, 2010	19,731	19,731	
March 1, 2011	34,731	19,731	15,000
September 1, 2011	19,403	19,403	
March 1, 2012	35,403	19,403	16,000
September 1, 2012	19,053	19,053	
March 1, 2013	35,053	19,053	16,000
September 1, 2013	18,703	18,703	

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
March 1, 2014	35,703	18,703	17,000
September 1, 2014	18,331	18,331	
March 1, 2015	36,331	18,331	18,000
September 1, 2015	17,938	17,938	
March 1, 2016	36,938	17,938	19,000
September 1, 2016	17,522	17,522	
March 1, 2017	37,522	17,522	20,000
September 1, 2017	17,084	17,084	
March 1, 2018	38,084	17,084	21,000
September 1, 2018	16,625	16,625	
March 1, 2019	38,625	16,625	22,000
September 1, 2019	16,144	16,144	
March 1, 2020	39,144	16,144	23,000
September 1, 2020	15,641	15,641	
March 1, 2021	39,641	15,641	24,000
September 1, 2021	15,116	15,116	
March 1, 2022	40,116	15,116	25,000
September 1, 2022	14,569	14,569	
March 1, 2023	40,569	14,569	26,000
September 1, 2023	14,000	14,000	
March 1, 2024	42,000	14,000	28,000
September 1, 2024	13,388	13,388	
March 1, 2025	42,388	13,388	29,000
September 1, 2025	12,753	12,753	
March 1, 2026	42,753	12,753	30,000
September 1, 2026	12,097	12,097	
March 1, 2027	44,097	12,097	32,000
September 1, 2027	11,397	11,397	
March 1, 2028	44,397	11,397	33,000
September 1, 2028	10,675	10,675	
March 1, 2029	45,675	10,675	35,000
September 1, 2029	9,909	9,909	
March 1, 2030	46,909	9,909	37,000
September 1, 2030	9,100	9,100	
March 1, 2031	47,100	9,100	38,000
September 1, 2031	8,269	8,269	
March 1, 2032	48,269	8,269	40,000

VILLAGE OF BALDWIN, MICHIGAN

SANITARY SEWER SYSTEM REVENUE BONDS PAYABLE
YEAR ENDED FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
September 1, 2032	7,394	7,394	
March 1, 2033	49,394	7,394	42,000
September 1, 2033	6,475	6,475	
March 1, 2034	50,475	6,475	44,000
September 1, 2034	5,513	5,513	
March 1, 2035	51,513	5,513	46,000
September 1, 2035	4,506	4,506	
March 1, 2036	52,506	4,506	48,000
September 1, 2036	3,456	3,456	
March 1, 2037	54,456	3,456	51,000
September 1, 2037	2,341	2,341	
March 1, 2038	55,341	2,341	53,000
September 1, 2038	1,181	1,181	
March 1, 2039	55,181	1,181	54,000
	\$ 1,835,430	\$ 880,430	\$ 955,000

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY TAX INCREMENT BONDS PAYABLE
FEBRUARY 28, 2006

<u>TITLE OF ISSUE</u>	Tax Increment Bonds-Series 2002		
<u>PURPOSE</u>	The Bonds are being issued for the purpose of paying part of the cost of a		
<u>DATE OF ISSUE</u>	April 1, 2002		
<u>INTEREST PAYABLE</u>	April 1, and October 1, of Each Year		
<u>AMOUNT OF ISSUE</u>		\$	995,000
<u>BONDS RETIRED</u>			
Prior Years	\$	90,000	
Current Year		<u>40,000</u>	<u>130,000</u>
<u>BALANCE OUTSTANDING</u>	February 28, 2006	\$	<u><u>865,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
April 1, 2006		\$ 22,727	\$ 22,727	
October 1, 2006	5.50%	62,727	22,727	\$ 40,000
April 1, 2007		21,627	21,627	
October 1, 2007	5.50%	61,627	21,627	40,000
April 1, 2008		20,527	20,527	
October 1, 2008	5.50%	70,527	20,527	50,000
April 1, 2009		19,152	19,152	
October 1, 2009	5.50%	69,152	19,152	50,000
April 1, 2010		17,777	17,777	
October 1, 2010	5.50%	67,777	17,777	50,000
April 1, 2011		16,402	16,402	
October 1, 2011	5.00%	76,402	16,402	60,000
April 1, 2012		14,902	14,902	
October 1, 2012	5.00%	74,902	14,902	60,000
April 1, 2013		13,402	13,402	
October 1, 2013	5.00%	73,402	13,402	60,000
April 1, 2014		11,902	11,902	
October 1, 2014	5.10%	81,902	11,902	70,000
April 1, 2015		10,117	10,117	

VILLAGE OF BALDWIN, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY TAX INCREMENT BONDS PAYABLE

FEBRUARY 28, 2006

<u>DUE DATES</u>	<u>INTEREST RATES</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
October 1, 2015	5.15%	80,117	10,117	70,000
April 1, 2016		8,314	8,314	
October 1, 2016	5.20%	78,314	8,314	70,000
April 1, 2017		6,494	6,494	
October 1, 2017	5.25%	86,494	6,494	80,000
April 1, 2018		4,394	4,394	
October 1, 2018	5.30%	84,394	4,394	80,000
April 1, 2019		2,274	2,274	
October 1, 2019	5.35%	87,274	2,274	85,000
		<u>\$ 1,245,022</u>	<u>\$ 380,022</u>	<u>\$ 865,000</u>

DENOMINATIONS

\$5,000 Each, or any Integral Multiple Thereof.

REDEMPTION PRIOR TO MATURITY

The Bonds or portions of the Bonds in multiples of
Bonds called for redemption on or after October 1, 2010

SECURITY

The bonds are payable solely from the pledged tax
The full faith and credit of the Villlage has not been
pledged to secure repayment of the bonds.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 25, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Baldwin
Baldwin, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Village of Baldwin, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 25, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village of Baldwin's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely effect the Village of Baldwin's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described as follows:

The relatively small number of people involved in the accounting functions of the Village make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Council to establish a larger accounting staff in order to implement proper segregation of duties and have taken measures of management oversight to help compensate for this limitation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of Baldwin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that reported to the management of the Village of Baldwin in a separate letter dated July 25, 2006.

This report is intended solely for the information and use of the Village Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 25, 2006

To the President and Village Council
Village of Baldwin, Michigan

During the course of our examination of the financial statements and records of the Village of Baldwin, Michigan for the year ended February 28, 2006, we noted the following items which we would like to bring to your attention:

Grant and Project Documentation

The Village currently utilizes outside contracted services to administer some of the grants of the Village on an annual basis. During our audit, we noted that much of the original support documentation relative to these grants is being maintained at the offices of the outside contractors rather than the offices of the Village. Not having adequate grant support documentation readily available caused unnecessary delays in allowing us to complete the examination in an efficient and timely manner and it also makes it difficult for the management of the Village to adequately monitor compliance with grant requirements.

We recommend that the Village provide copies of grant documentation to the outside contracted services and retain the original documentation in a secure location within the offices of the Village. This will allow the Village the ability to administer the grants in a more effective and efficient manner.

Reconciliation of Certificates of Deposit

The Village currently has several certificates of deposit that accrue interest on a monthly basis. Currently the interest accumulated for the year does not get recorded until year end.

We recommend the interest be recorded in the accounting records as it accrues so that the Village will have a better idea as to the total cash assets available at any particular period of the year.

The Village may also wish to include these balances as well as the savings account balances in the monthly reports provided to the Village council so that there is a better representation of the actual cash balances on hand on a monthly basis.

Classification of General Fund Expenditures

The Village allocates the annual appropriations budget to several different governmental functions that provides for a meaningful representation of how the resources of the Village are to be spent on an annual basis. Much of the allocation of the actual expenditures tends to be allocated under the Village Council category rather than the different governmental functions set forth in the annual budget.

We recommend the Village allocate the actual expenditures to the same governmental functions that have been provided for in the annual budget so that a more meaningful analysis of the actual expenditures to what has been budgeted can occur. Than the budget can be amended as necessary whenever actual results will differ from what was anticipated in the original budget.

Volunteer Fire Department Bank Account

The Baldwin Volunteer Fire Department currently has a checking account that is reported under the same federal identification number as the Village. Since, the Baldwin Volunteer Fire Department is organized as a tax exempt entity separate from the Village and maintains its own records we feel that this checking account should be changed to the federal identification number of the Baldwin Volunteer Fire Department rather than the Village in order to avoid confusion as to the custody and accounting for those assets.

Property Tax Issues

There are a couple of issues relative to property taxes that we wish to take the opportunity to comment on this year.

1. The Downtown Development Authority (DDA) mistakenly captured their portion of the Village taxes based on the 2004 millage rate of 14.7850 mills rather than the 2005 millage rate adjusted for the Headlee rollback of 14.3665 mills. This caused an over-capture by the DDA of the Village taxes of \$2,227.67. The taxes for all other units that the DDA captures from were based on the correct millage rates so only the Village is due a refund of the over-captured taxes.
2. The Village is authorized to levy up to 15 mills on an annual basis for operating purposes. Due to compliance with Headlee rollback provisions, the Village is allowed to only levy 14.3665 mills. This results in approximately \$9,000 of reduced property tax revenue for the 2005-06 year. The Village may wish to consider the viability of a future Headlee override election when it determines that it may be in the best interest to seek restoration of the Village operating millage back to 15 mills.

We wish to express our appreciation for the cooperation and courtesy extended to our staff by the Village employees during the course of our examination. In addition, we would like to thank the Village Council for giving us this opportunity to serve you. If you have any questions relative to the preceding comments and recommendations or other areas of your annual audit, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.